



JUDY BAAR TOPINKA
ILLINOIS STATE COMPTROLLER



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

STATE OF ILLINOIS

Comprehensive Annual Financial Report

~ 2012 ~

For Fiscal Year Ended June 30, 2012

Comptroller Judy Baar Topinka

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Introductory Section

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**Comprehensive Annual Financial Report
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STATE OF ILLINOIS COMPTROLLER

JUDY BAAR TOPINKA

May 31, 2013

To the Citizens of the State of Illinois,
Honorable Pat Quinn, Governor and
Honorable Members of the General Assembly:

I am pleased to present to you the *State of Illinois Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2012. The CAFR is the State's official annual report which provides the readers with the financial position of the State as of June 30, 2012, and results of operations during the fiscal year. The report is intended to provide the State's taxpayers, managers, investors, creditors, lawmakers, and other users with information in accordance with generally accepted accounting principles (GAAP). Responsibility for the accuracy of the data as well as the completeness and fairness of presentation of this report rests with my Office and other State agency management.

The Management's Discussion and Analysis (MD&A), which begins on page 15 of this report, provides a narrative introduction, overview, and analysis to the accompanying basic financial statements. This letter is intended to complement the MD&A and should be read in conjunction with the MD&A. The accompanying basic financial statements are prepared in conformity with GAAP applicable to State governments as prescribed by the Governmental Accounting Standards Board (GASB). This Office supports the GASB, contributed to its formation, and participates in the development of pronouncements by providing testimony at public hearings and submitting comments and recommendations as proposed standards are distributed for exposure.

The CAFR includes information on all funds, elected offices, departments, and agencies of the State, as well as all boards, commissions, authorities, and universities for which the State's executive, legislative, and judicial branches are financially accountable. The financial statements distinguish between primary government organizations and component units. The primary government is the nucleus of the financial reporting entity and is the focal point for the users of the financial statements. The primary government of the State consists of all the organizations that make up its legal entity. All funds, departments, agencies, offices, and other organizations that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the State is financially accountable.

The financial activities of the State are organized on the basis of individual funds, each of which is a separate accounting entity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, and limitations. Major funds are the focus of the State's financial statements and include the General Fund (including the General Revenue Account, the Education Assistance Account, the Common School Account, and the Medicaid Provider Assessment Accounts), the Road Fund, the State Construction Account, the Unemployment Compensation Trust Fund, the Water Revolving Fund, and the Prepaid Tuition Fund. The reporting entity, major funds, and fund types are described in detail in Note 1 to the financial statements. To ensure readability of the financial statements,

generally only funds with total assets, liabilities, fund balances/net assets, revenues, or expenditures/expenses greater than 2% of the total for that fund type are presented separately in the individual fund financial statements, except component units where all component units are presented. Combination of funds is necessary due to the existence of approximately 800 funds in the State's reporting entity. Funds used by more than one agency are classified with what is determined to be the primary administering agency.

Internal Controls

Each State agency's management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the State are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The State's internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

On October 31, 1989, the Fiscal Control and Internal Auditing Act (FCIAA) became law, requiring all State agency chief executive officers to annually certify the adequacy of internal controls in place within their agencies and that selected agencies employ a chief internal auditor with a specified minimum level of professional competency.

Independent Audit

The Illinois Auditor General has performed an audit of the accompanying basic financial statements in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. His unqualified opinion appears at the beginning of the financial section of this report. In addition, the Illinois Auditor General conducts an annual audit pursuant to the requirements set forth in the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This report is issued separately.

PROFILE OF THE STATE

Illinois, located in the Midwest, became the twenty-first state in 1818. The State has 56,400 square miles and is the 24th largest state in size. Per the 2010 census, Illinois is the 5th largest state in population with approximately 12.8 million residents.

Illinois' government is divided into three branches: executive, legislative, and judicial. An organizational chart, showing the relationships between the Citizens of the State of Illinois, the three branches of Illinois State government, and those of the various agencies, boards, commissions, and universities which provide a full range of State government services, is presented on page 9.

The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. The State of Illinois is also financially accountable for four separate entities which have been included as a

part of the State's financial statements. In addition, the State of Illinois is financially accountable for 26 legally separate entities which have been reported separately within the State's financial statements. Additional information on all of these legally separate entities can be found in the notes to the financial statements.

The Comptroller's Statewide Accounting Management System (**SAMS**) provides the basis for receipt, expenditure, and encumbrance reporting of all State treasury held funds with specific budgetary controls maintained on line-item expenditures for all appropriated funds. Appropriations (budget) and actual expenditure analysis for significant individual funds is provided in the Budgetary Schedules section of this report.

The State of Illinois has a two-month "lapse period." During this time, July 1 to August 31, State agencies can expend funds appropriated in the prior fiscal year if encumbered by June 30. For all fund types, goods or services received prior to June 30 are recorded as liabilities and expenditures or expenses, whichever is appropriate. For governmental fund types, lapse period expenditures for goods encumbered as of June 30 and received prior to August 31 are reported within the existing fund balance classifications at June 30 and not as liabilities or expenditures. Public Act 97-0732 extended the lapse period to December 31 for fiscal year 2012 to allow the State time to pay fiscal year 2012 expenditures and to allow interest on late payments, paid through December 31, to be included in lapse period transactions.

Many State programs are accounted for in the General Fund. As analyzed in the MD&A, the GAAP basis financial position of the General Fund at June 30, 2012, decreased from June 30, 2011. The fund balance in the State's General Fund decreased by \$1.123 billion on a GAAP basis, from a deficit of \$8.010 billion to a deficit of \$9.133 billion. On the *budgetary basis*, there was a \$4.984 billion fund deficit at June 30, 2012, compared to a \$4.507 billion fund deficit at June 30, 2011, resulting in a \$477 million increase in the budgetary deficit.

FACTORS AFFECTING FINANCIAL CONDITION

Economy

Illinois has a broadly diversified economy with an employment base that closely mirrors the national economy. The State continues to have a vigorous service sector with strength in professional and business services, education and healthcare services, and leisure and hospitality services. While retaining a sizeable manufacturing sector, its relative significance has decreased over the last decade, consistent with national trends. The largest private employers in Illinois include major retailers, large healthcare providers, equipment manufacturers, and nationwide financial service providers.

According to the U.S. Bureau of Labor Statistics, Illinois averaged 5.710 million nonfarm payroll jobs and an unemployment rate of 9.4% in fiscal year 2012.

MAJOR INITIATIVES

The following initiatives were among those instituted in Illinois state government in recent years to address issues affecting the State's revenues, cash management, and expenditures.

Revenues Initiative

Effective for calendar year 2011, the legislature voted to raise the individual income tax rate from 3% to 5% and the corporate income tax rate from 4.8% to 7%. For individual income taxes, the 5% rate will remain in place until 2015, when it will drop to 3.75% and then fall to 3.25% in 2025. The 7% corporate rate will remain in place until 2015 as well, when it will drop to 5.25% and then to 4.8% in 2025.

American Recovery and Reinvestment Act

On February 17, 2009, the American Recovery and Reinvestment Act (“ARRA”) was signed into law by President Obama. ARRA’s objective was to create and preserve jobs, to promote economic activity and invest in long-term growth, and to foster unprecedented levels of accountability and transparency in government spending by providing tax cuts and benefits for working families and businesses; increasing federal funding for education, health care, and entitlement programs; providing funding for federal contracts, grants, and loans; and requiring recipients of ARRA funding to report quarterly on the use of funds received. The State received \$803.2 million of ARRA monies in fiscal year 2012 into funds in the State Treasury. \$39.9 million of the ARRA funding was received by the General Revenue Account, a subaccount of the General Fund. In addition to the ARRA monies received into funds in the State Treasury, \$1.386 billion was received by the Unemployment Compensation Trust Fund, a fund held outside of the State Treasury.

Pensions

In April of 2010, Governor Quinn signed Public Act 96-0889 into law, creating a “second-tier” of benefits for future members of the State Employees’ Retirement System. The legislation only affects employees hired after December 31, 2010. The most significant changes include increasing the minimum retirement age for future members, reducing the annual cost-of-living adjustments future members will receive in retirement, and increasing the surviving spouse annuity.

Other Postemployment Benefits

The State Employees Group Insurance Act of 1971 (“ACT”) authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. In accordance with the Act, the State contributes towards the costs of the annuitant’s coverage an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service.

Effective July 1, 2012, Public Act 97-0695 alters the contributions to be paid by the State, annuitants, survivors, and retired employees for postemployment benefits. The Act requires the Director of Central Management Services, on an annual basis, to determine the amount the State should contribute toward the basic program of health benefits, with the remainder of the cost coverage being the responsibility of the annuitant, survivor, or retired employee.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

The fiscal year 2012 CAFR reveals continuing underlying financial weaknesses which significantly impact the State's overall fiscal health in regards to deferred liabilities, ongoing operational concerns related to cash management and long-term concerns related to pension and other postemployment obligations.

Deferred Liabilities

Section 25 of the State Finance Act permits the payment of selected prior year expenses, primarily Medicaid, in the current fiscal year. The section was originally created to address billing and adjudication issues connected with such expenditures. Over the past two decades, however, it has become a common practice to defer liabilities utilizing Section 25 effectively reducing the appropriation levels needed to fund certain programs within any given fiscal year and pushing expenditures into the next fiscal year. The State ended fiscal year 2012 with \$3.628 billion in such costs.

Cash Management

Cash flow continues to be an issue as Illinois has had a running General Revenue Fund deficit defined as bills on hand exceeding available cash, with few exceptions, since November of 2000. Fiscal year 2012 marked the tenth consecutive year that Illinois has had to engage in short-term borrowing to address various cash flow needs.

Cash management practices are greatly affected by the aforementioned budgetary practices in relation to deferred liabilities which place additional pressure in the first and second quarters of the year to pay those expenses. Additionally, the majority of the State's tax collections are received in the second half of the fiscal year with large income tax collections arriving in the spring of each year which further contributes to the payment delays seen within the fiscal year.

In 2000, legislation was enacted to create the State's Budget Stabilization Fund in order to assist the State in meeting cash flow deficits as needed. The statutory goal for funding this reserve was set at five percent of General Fund's revenues in any given year. As of June 30, 2012, the balance in the Budget Stabilization Fund was \$275.7 million.

Pension Obligations

Legislation enacted in 1995 set a long-term funded ratio (assets to actuarial accrued liabilities) target for the State's five retirement systems at 90% and established a plan for contributions in order for the State to reach this target by fiscal year 2045. After fiscal year 2045, the State shall maintain annual contributions sufficient to keep the systems at a 90% funded ratio. In fiscal year 2004, 2010, and 2011, general obligation pension bonds were issued in the amounts of \$10.0 billion, \$3.5 billion and \$3.7 billion, respectively.

As of June 30, 2012, the five State-funded retirement systems were at a 40.4% funded ratio using a five year “smoothing” valuation of assets with \$94.582 billion in unfunded liability.

For fiscal year 2006 through fiscal year 2007, the relevant State statutes were amended to allow for significantly lower State contribution levels to the retirement systems with levels increasing in fiscal years 2008, 2009, and 2010 before returning to the mandated levels of the 1995 law for fiscal year 2011.

Other Postemployment Obligations

For fiscal year 2011, the State performed an actuarial valuation of the health, dental, vision, and life insurance benefits promised to retirees. The valuation reported a \$33.295 billion actuarial liability with no assets currently set aside to fund the liability as the State uses a “pay-as-you go” method to make payments for retirees’ benefits. Valuations are performed biannually.

Debt Management

Public Act 93-0839 known as the Debt Responsibility Act, effective July 30, 2004, placed new restrictions on the issuance of general obligation bonds. At least 25% of general obligation bonds issued within a year must be sold pursuant to notice of sale and public bid. General obligation bonds must be issued with equal principal or mandatory redemption amounts in each fiscal year following the year of issuance for a term not to exceed 25 years. General obligation bonds may not be issued if, in the next fiscal year after issuance, the amount of debt service on all then outstanding general obligation bonds exceeds 7% of the General and Road Fund appropriations for the fiscal year immediately preceding the issuance unless the Comptroller and Treasurer waive this requirement. No general obligation refunding bonds can be issued unless the refunding produces a net present value savings of at least 3% of the bonds being refunded and the maturities of the refunding bonds do not extend beyond the maturities of the bonds being refunded.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting (“Certificate”) to the State of Illinois for its comprehensive annual financial report (“CAFR”) for the fiscal year ended June 30, 2011, which was the twenty-eighth consecutive year that the State has received this prestigious award in governmental financial reporting. In order to be awarded a Certificate, the State of Illinois published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate is valid for a period of one year only. As this current comprehensive annual financial report is expected to meet the Certificate of Achievement Program’s requirements, it is being submitted to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of the State's Comprehensive Annual Financial Report was made possible by the due diligence of my staff, the Auditor General's Office, and all State agencies who submitted timely information during this year's GAAP financial statement process. Their hard work and dedication has resulted in an excellent financial report of which we can be proud. I express my gratitude to all of those involved for this tremendous cooperative effort.

Sincerely,

Judy Baar Topinka
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers' Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director

State of Illinois

Organizational Chart
June 30, 2012



Legislative Branch

Senate

House of
Representatives

Auditor General
William Holland

Legislative Support Agencies

Commission on Government Forecasting
and Accountability
Legislative Information System
Legislative Audit Commission
Legislative Printing Unit
Legislative Research Unit
Legislative Reference Bureau
Office of the Architect of the Capitol
Joint Committee on Administrative Rules

Legislative Ethics Commission

Pension Systems

General Assembly Retirement System
Judges' Retirement System
State Employees' Retirement System
State Universities Retirement System
Teachers' Retirement System

Executive Branch

Secretary of State
Jesse White

Treasurer
Dan Rutherford

Governor
Pat Quinn

Lieutenant
Governor
Sheila Simon

Comptroller
Judy Baar Topinka

Attorney
General
Lisa Madigan

Education

State Board of Education
State Charter School Commission
Student Assistance Commission
Board of Higher Education
Community College Board
Mathematics and Science Academy
Chicago State University *
Eastern Illinois University *
Governors State University *
Northeastern Illinois University *
Western Illinois University *
Illinois State University *
Northern Illinois University *
Southern Illinois University *
University of Illinois *

Governors' Office of Management
and Budget
Other Agencies, Boards
and Authorities
Regulatory Boards
Public Safety Agencies
Financing Authorities *
Environmental Agencies

Civil Administrative Code
Departments
Aging
Agriculture
Central Management Services
Children and Family Services
Commerce and Economic Opportunity
Corrections
Employment Security
Financial and Professional Regulation
Healthcare and Family Services
Human Rights
Human Services
Insurance
Juvenile Justice
Labor
Lottery
Military Affairs
Natural Resources
Power Agency
Public Health
Revenue
State Police
Transportation
Veterans' Affairs

Office of Executive Inspector
General
Executive Ethics Commission

State Board of Elections

* Component Unit - not
part of Primary
Government

Judicial Branch

Supreme Court

Judicial Inquiry Board
Appellate Court
Circuit Court
Administrative Office of the
Illinois Courts
Board of Admissions to the Bar
State Appellate Defender
Attorney Registration and
Disciplinary Commission
State's Attorney Appellate
Prosecutor

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Financial Section

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STATE OF ILLINOIS
WILLIAM G. HOLLAND
AUDITOR GENERAL

Independent Auditors' Report

Honorable Michael J. Madigan, Speaker of the House
Honorable John J. Cullerton, President of the Senate
Members of the General Assembly
Honorable Patrick Quinn, Governor
Honorable Judy Baar Topinka, Comptroller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Illinois, as of and for the year ended June 30, 2012, which collectively comprise the State of Illinois' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain university related organizations, which represent 9%, 18%, 4%, and 4%, respectively, of the total assets, total net assets, total revenues, and total expenses of the aggregate discretely presented component unit amounts. Those financial statements were audited by other auditors whose reports thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for these university related organizations, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and other reports of the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Illinois, as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the financial statements have been restated as of July 1, 2011 for prior year reporting errors and the implementation of GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53.

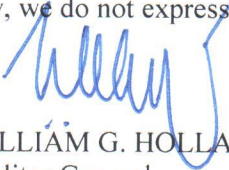
The deficit for net assets of governmental activities in fiscal year 2012 continued to increase by \$2,965,234,000 from \$43,608,726,000 at June 30, 2011 to \$46,573,960,000 at June 30, 2012. This deficit, which is presented on an accrual basis, is the excess of total liabilities over total assets and represents a deferral of current and prior year costs to future periods.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 31, 2013 on our consideration of the State of Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 15 through 29 and 162 through 168 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the report of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois' basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



WILLIAM G. HOLLAND
Auditor General
State of Illinois



BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits
Office of the Auditor General

Springfield, Illinois
May 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Illinois' (the State's) financial performance providing an overview of the activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter and with the State's financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, this discussion and analysis also contains information on other supplementary information included in this report.

Government-wide Statements (Reporting the State as a Whole)

The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities. These statements include all non-fiduciary assets, liabilities, revenues, and expenses using the accrual basis of accounting.

The Statement of Net Assets (page 31) presents all of the State's non-fiduciary assets and liabilities with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 32 and 33) presents all of the State's non-fiduciary revenues and expenses with the difference showing how the State's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and unused accrued absences).

Both statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, Elected Officials, and the general operations of the Executive departments fall within the governmental activities.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services provided by the State. Lottery tickets and the State's unemployment compensation services are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 10 authorities, 9 universities, and 7 other organizations that are reported as discretely presented component units of the State.

Included within the basic financial statements are two schedules (pages 35 and 37) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (accrual accounting). Modified accrual accounting focuses on the current financial resources, which are the resources available for spending in the near future (defined by the State as 60 days). Accrual

accounting reports the total economic resources similar to a private-sector business. The following summarizes some of the differences in modified accrual and accrual accounting:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds statements.
- Prepaid expenses for governmental activities are current uses of financial resources of funds and therefore are not reported in the governmental funds statements.
- Deferred issuance costs are capitalized and amortized as governmental activities, but reported as expenditures in the governmental funds statements.
- Certain revenues that are earned, but not available, are reported as revenues of governmental activities, but are reported as unavailable revenue on the governmental funds statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, installment purchases agreements, compensated absences, certificates of participation, net pension obligations, net other postemployment benefit obligations, and bonds and notes payable appear as liabilities in the government-wide statements but are not reported in the governmental funds statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Capital outlay spending results in recording capital assets on the government-wide statements, but is reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental funds statements.

The Notes to the Basic Financial Statements provide additional information that is integral to understanding the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 49 of this report.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on page 34 and provide more detail than the government-wide financial statements, concentrating on information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, individual fund data for the nonmajor funds is presented beginning on page 169. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – with each using a different accounting method.

Governmental funds – Most of the State's basic services are reported in the governmental funds which focus on how monies flow into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. Governmental funds are reported using modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash and liabilities that are due in the current period. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.

Proprietary funds – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs and activities such as the State's Communications Revolving Fund. The State's internal service funds are reported as governmental activities on the government-wide statements.

Fiduciary funds – The State acts as a trustee or fiduciary for its employee pension plans. The State is also responsible for other assets that, because of a trust arrangement or other contractual arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 42. These funds, which include pension (and other employee benefit) trust, private-purpose trust, investment trust, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles (GAAP) net change in fund balances at fiscal year-end and funding progress of the State's retirement systems and other postemployment benefit plans.

Other Supplementary Information

Other supplementary information includes two components: 1) combining financial schedules for the General Fund, nonmajor governmental funds, proprietary and fiduciary funds and nonmajor discretely presented component units and 2) combining budgetary schedules using the terminology and classification of funds used by the State for budgetary purposes. The combining financial statements present by fund category, and then by fund type, the amounts presented in the nonmajor funds column in the fund financial statements.

FINANCIAL ANALYSIS OF THE STATE

The State's combined net assets decreased \$2.368 billion or 5.6% during the current fiscal year. The net assets of the State's governmental activities decreased \$2.965 billion or 6.8% and the net assets of the State's business-type activities increased \$597 million or 48.2%. The following condensed financial information was derived from the government-wide Statement of Net Assets and reflects the State's financial position as of June 30, 2012 and 2011:

Net Assets as of June 30 (in millions of dollars)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other non-current assets	\$ 20,088	\$ 16,645	\$ 6,422	\$ 6,719	\$ 26,510	\$ 23,364
Capital assets	20,859	20,158	5	4	20,864	20,162
Deferred outflow s of derivative instruments	179	100	-	-	179	100
Total assets and deferred outflow of resources	41,126	36,903	6,427	6,723	47,553	43,626
Liabilities:						
Other liabilities	20,575	17,520	2,090	3,371	22,665	20,891
Long-term liabilities	67,125	62,992	2,502	2,114	69,627	65,106
Total liabilities	87,700	80,512	4,592	5,485	92,292	85,997
Net assets:						
Invested in capital assets, net of related debt	14,990	14,697	5	4	14,995	14,701
Restricted	3,569	3,447	2,253	2,363	5,822	5,810
Unrestricted	(65,133)	(61,753)	(423)	(1,129)	(65,556)	(62,882)
Total net assets	<u>\$(46,574)</u>	<u>\$(43,609)</u>	<u>\$ 1,835</u>	<u>\$ 1,238</u>	<u>\$(44,739)</u>	<u>\$(42,371)</u>
Note: Prior year amounts have been restated for activities as described in Note 2 to the financial statements.						

The State's largest asset is its capital assets (\$20.864 billion) consisting of land, buildings, equipment, infrastructure, and other items with estimated useful lives of greater than one year. The largest portion of the State's long-term liabilities are its net pension obligation (\$26.184 billion) and bonds payable obligation (\$33.117 billion), including deferred amounts on refundings and unamortized premiums and discounts. The largest component of the State's net assets reflects the State's investment in capital assets, less any related debt that was recorded to acquire or construct the assets. The restricted net assets balance consists of resources subject to external restrictions or enabling legislation as to their use. The remaining portion, unrestricted net assets, are the net assets available to be used at the State's discretion or need to be replenished by revenues in future periods.

The State's assets increased \$3.927 billion from \$43.626 billion at June 30, 2011, to \$47.553 billion at June 30, 2012, due mainly to \$702 million more in capital assets, \$486 million more in cash held at the State Treasurer, \$1.034 billion more in securities lending collateral balances, and \$1.255 billion more in intergovernmental receivables. The State's increase in liabilities of \$6.295 billion from \$85.997 billion at June 30, 2011, to \$92.292 billion at June 30, 2012, resulted mainly from the issuance of \$3.2 billion in general obligation bonds, as well as increases in the State's net pension obligation of \$2.158 billion and net other postemployment benefit obligation of \$1.686 billion.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects the State's decrease in net assets during the current fiscal year:

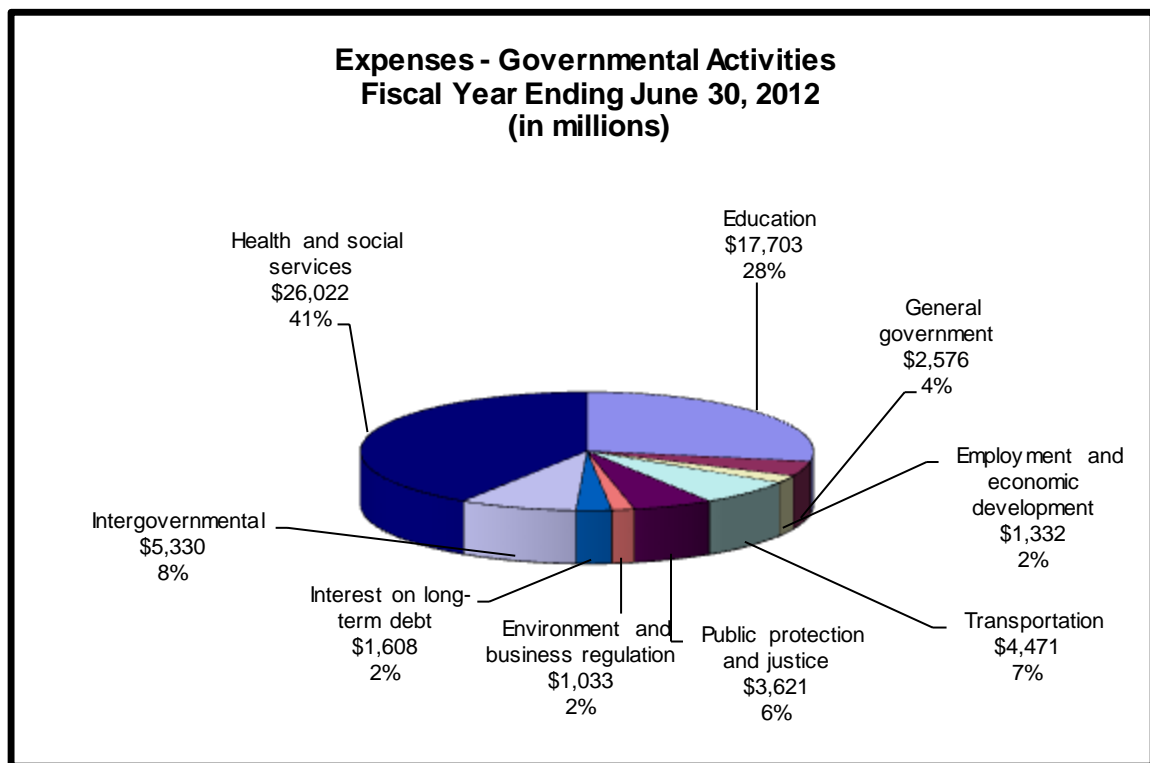
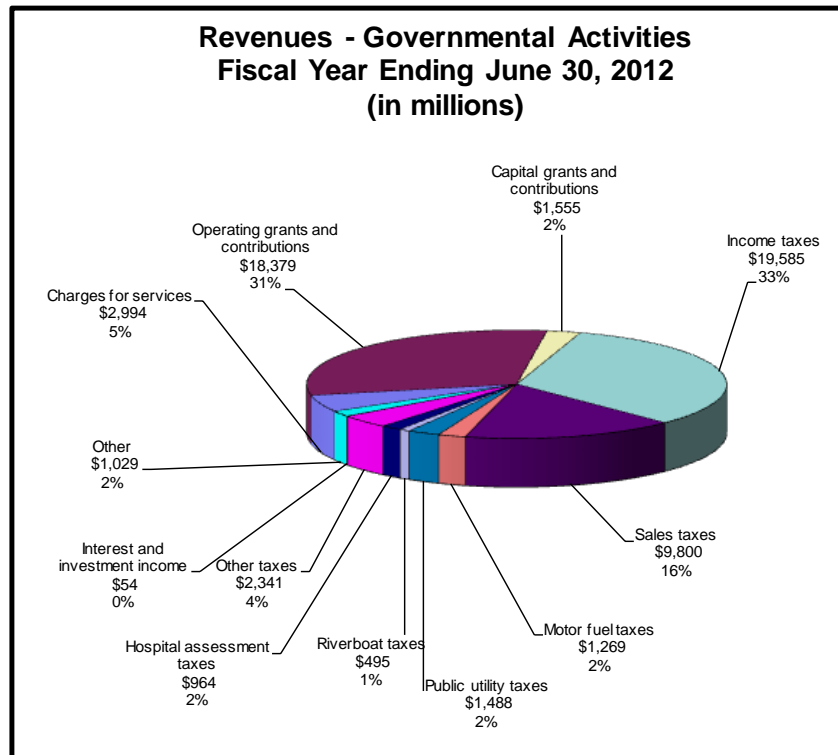
Changes in Net Assets for Fiscal Year Ending June 30 (in millions of dollars)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011 to 2012
Revenues							
Program revenues							
Charges for services	\$ 2,994	\$ 2,936	\$ 6,159	\$ 5,402	\$ 9,153	\$ 8,338	9.8%
Operating grants and contributions	18,379	19,735	2,891	4,197	21,270	23,932	(11.1%)
Capital grants and contributions	1,555	1,586	-	-	1,555	1,586	(2.0%)
General revenues							
Income taxes	19,585	14,408	-	-	19,585	14,408	35.9%
Sales taxes	9,800	9,619	-	-	9,800	9,619	1.9%
Motor fuel taxes	1,269	1,302	-	-	1,269	1,302	(2.5%)
Public utility taxes	1,488	1,573	-	-	1,488	1,573	(5.4%)
Riverboat taxes	495	458	-	-	495	458	8.1%
Hospital assessment taxes	964	943	-	-	964	943	2.2%
Other taxes	2,341	1,801	-	-	2,341	1,801	30.0%
Interest and investment earnings	54	62	40	42	94	104	(9.6%)
Other revenue	1,029	1,019	-	3	1,029	1,022	0.7%
Total revenues	59,953	55,442	9,090	9,644	69,043	65,086	6.1%
Expenses							
Health and social services	26,022	24,973	-	-	26,022	24,973	4.2%
Education	17,703	17,839	-	-	17,703	17,839	(0.8%)
General government	2,576	1,755	-	-	2,576	1,755	46.8%
Employment and economic development	1,332	1,582	-	-	1,332	1,582	(15.8%)
Transportation	4,471	4,867	-	-	4,471	4,867	(8.1%)
Public protection and justice	3,621	3,580	-	-	3,621	3,580	1.1%
Environment and business regulation	1,033	1,055	-	-	1,033	1,055	(2.1%)
Unemployment compensation fund	-	-	5,088	6,425	5,088	6,425	(20.8%)
Water revolving fund	-	-	85	84	85	84	1.2%
Prepaid tuition programs	-	-	194	94	194	94	106.4%
Designated account purchase program fund	-	-	42	58	42	58	(27.6%)
Lottery	-	-	1,941	1,601	1,941	1,601	21.2%
Federal student loans	-	-	189	239	189	239	(20.9%)
Other business-type activities	-	-	176	169	176	169	4.1%
Intergovernmental	5,330	5,191	-	-	5,330	5,191	2.7%
Interest	1,608	1,369	-	-	1,608	1,369	17.5%
Total expenses	63,696	62,211	7,715	8,670	71,411	70,881	0.7%
Excess (deficiency) before transfers	(3,743)	(6,769)	1,375	974	(2,368)	(5,795)	59.1%
Transfers	778	695	(778)	(695)	-	-	0.0%
Increase (Decrease) in net assets	(2,965)	(6,074)	597	279	(2,368)	(5,795)	59.1%
Net assets - beginning, as restated	(43,609)	(37,535)	1,238	959	(42,371)	(36,576)	(15.8%)
Net assets - ending	<u>\$ (46,574)</u>	<u>\$ (43,609)</u>	<u>\$ 1,835</u>	<u>\$ 1,238</u>	<u>\$ (44,739)</u>	<u>\$ (42,371)</u>	<u>(5.6%)</u>

Governmental Activities:

Governmental activities of the State are financed primarily through taxes collected. The functions reported for governmental activities consist of the following:

- *Health and social services* – The health and social services function consists of programs such as Medicaid, Temporary Assistance for Needy Families (TANF), and Child Support Enforcement which are administered mostly by the Department of Healthcare and Family Services, the Department of Human Services, and the Department of Children and Family Services.
- *Education* – The education function consists of support for local public school districts and post-secondary institutions administered mostly by the State Board of Education, the State Board of Higher Education, and the Illinois Community College Board.
- *General government* – The general government consists of the day-to-day operations of the State performed mostly by the Elected Officials, Members of the General Assembly, the Department of Central Management Services, and the Department of Revenue.
- *Employment and economic development* – The employment and economic development function consists of job training for citizens and support for the growth of public sector commerce administered mostly by the Department of Commerce and Economic Opportunity and the Department of Employment Security.
- *Transportation* – The transportation function consists of support for building and maintaining infrastructure capital assets owned by the State and owned by local governments of the State which is administered mostly by the Department of Transportation.
- *Public protection and justice* – The public protection and justice function consists of law enforcement functions of the State and other public safety regulatory programs performed mostly by the Department of Corrections and the Department of State Police.
- *Environment and business regulation* – The environment and business regulation function consists of regulation of the environment of the State and regulation of various business types in the State performed mostly by the Environmental Protection Agency, the Department of Commerce and Economic Opportunity, the Department of Natural Resources, the Department of Financial and Professional Regulation, and the Department of Labor.

The following charts display revenues and expenses of the State for governmental activities during the fiscal year:



The State's governmental activities revenues increased \$4.511 billion (8.1%) during fiscal year 2012 with the largest revenue increase consisting of \$5.177 billion in income taxes. This increase was offset by a decrease in operating grants and contributions of \$1.356 billion.

The State's governmental activities expenses increased \$1.485 billion (2.4%) during fiscal year 2012. The State's largest expenses, health and social services expenses, increased \$1.049 billion. Health and social services expenses increased due to costs associated with the State's Medicaid program.

Business-type Activities:

Net assets of business-type activities increased \$597 million during the fiscal year 2012. This increase was attributed mainly to a \$768 million increase in net assets of the Unemployment Compensation Trust Fund, which had a decrease in unemployment benefit expenses of \$1.383 billion.

FINANCIAL ANALYSIS OF THE STATE'S MAJOR GOVERNMENTAL FUNDS

General Fund

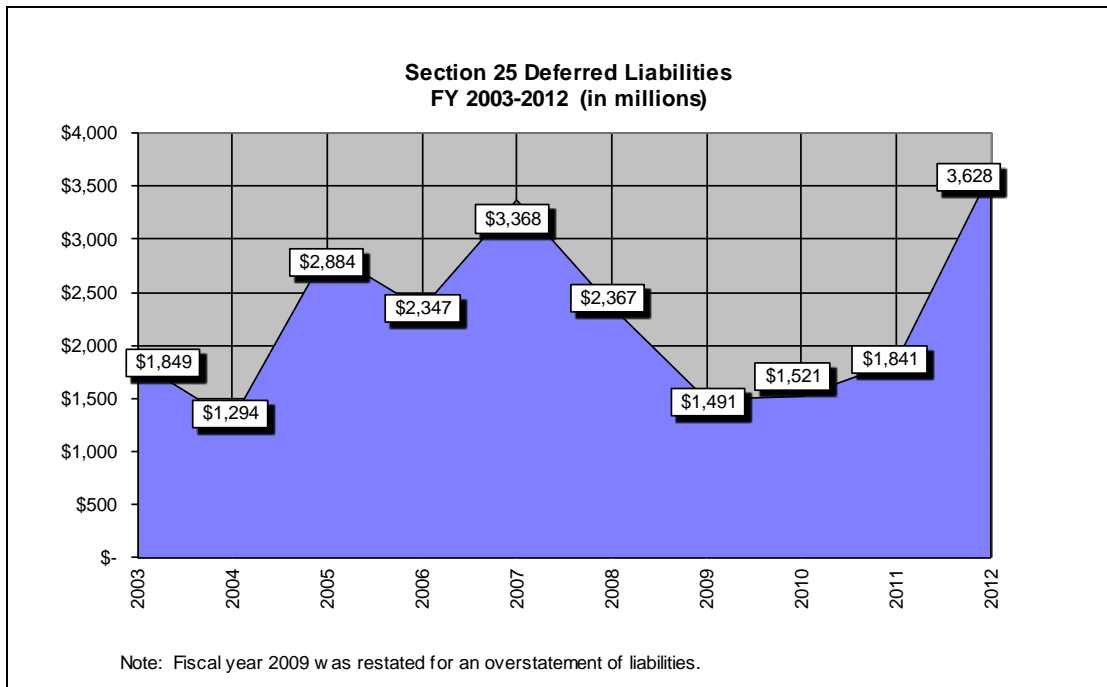
The General Fund accounts for resources obtained and used for those services traditionally provided by the State which are not accounted for in another fund. Accordingly, the majority of the State's tax revenues and program support expenses are accounted for in the General Fund. For financial reporting purposes, the General Fund consists of several accounts of the State which are described on page 169. For budgetary purposes the General Funds consist of the General Revenue, Common School-Special, Education Assistance, and Common School Accounts.

The State's General Funds' budgetary fund balance ended fiscal year 2012 with a deficit for the eleventh consecutive year. At June 30, 2012, the General Funds' budgetary fund balance was a deficit of \$4.984 billion compared to a \$4.507 billion deficit recorded at June 30, 2011. The original budget projected a \$4.749 billion deficit at the end of the fiscal year. The final budget projected a \$5.101 billion deficit.

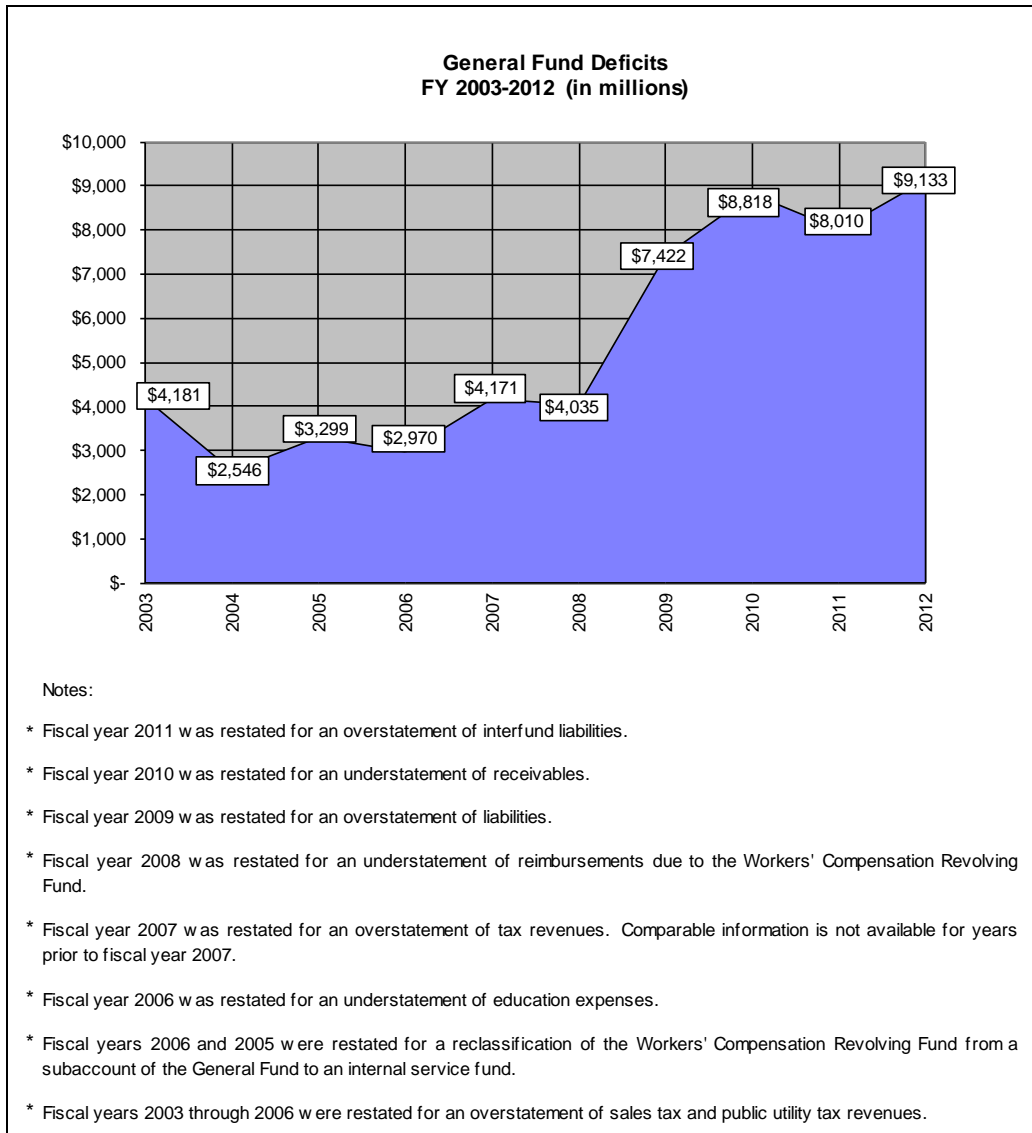
The majority of the \$117 million increase in the General Funds' budgetary balance between the final budget and the actual results was due to \$155 million less in actual revenues than budgeted revenues and \$272 million less in actual expenditures than budgeted expenditures. Actual federal government revenues were \$1.125 billion less than budgeted, while income tax revenues and sales tax revenues were \$321 million and \$640 million more than budgeted, respectively. Health and social services expenditures were \$177 million less than budgeted.

The General Fund's assets at June 30, 2012, were \$8.699 billion, which is an increase of \$2.082 billion from the June 30, 2011, balance of \$6.617 billion. Intergovernmental receivables increased \$1.251 billion and taxes receivables increased \$260 million from June 30, 2011, respectively, offset by a decrease in cash of \$339 million.

The General Fund's liabilities at June 30, 2012, were \$17.832 billion, which is an increase of \$3.205 billion from the June 30, 2011, balance of \$14.627 billion. Cash flow problems caused the State to hold over \$2.826 billion in payments in the General Fund, which are included in the liabilities reported at June 30, 2012. Another factor that determines a significant portion of the General Fund liabilities is the accrued liabilities payable from future year's appropriations. One of the largest components of those liabilities is Section 25 of the State Finance Act (Section 25) deferrals which consist mostly of Medicaid program liabilities. These statutory deferrals allow expenses incurred during one fiscal year to be paid for from the subsequent fiscal year's budget in limited situations. Section 25 deferrals increased \$1.787 billion from \$1.841 billion at June 30, 2011 to \$3.628 billion at June 30, 2012.



During fiscal year 2012, the General Fund's fund deficit increased from \$8.010 billion to \$9.133 billion, a \$1.123 billion increase. The current year increase in the fund deficit was driven by a \$4.690 billion increase in expenditures, partially offset by a \$3.727 billion increase in revenues, in comparison to fiscal year 2011. Fiscal year 2011 had a decrease in fund deficit of \$808 million.



During fiscal year 2012, General Fund revenues increased \$3.727 billion to \$37.324 billion. An increase in income taxes of \$4.966 billion was the largest increase in revenues. The increase was the result of the legislative vote to increase individual and corporate income tax rates effective January 1, 2011. This increase was offset by a decrease in federal government revenue of \$1.593 billion, mostly due to the decline in proceeds of the American Recovery and Reinvestment Act. General Fund expenditures increased \$4.690 billion to \$37.173 billion in fiscal year 2012 due mainly to increased spending on education programs of \$2.347 billion and health and social services programs of \$1.171 billion.

Road Fund

The Road Fund incurred a \$243 million increase in fund balance in the current year and has a \$676 million fund balance. Transportation expenditures decreased \$255 million to \$1.786 billion in fiscal year 2012, due mostly to a decrease in federal government revenue of \$205 million, mostly due to the decline in proceeds of the American Recovery and Reinvestment Act as compared to fiscal year 2011.

State Construction Account

The State Construction Account's fund balance increased \$27 million in fiscal year 2012 to an ending fund balance of \$237 million. Revenues from licenses and fees increased from \$462 million in fiscal year 2011 to \$465 million in fiscal year 2012. Transportation expenditures decreased by \$93 million, offset by an increase in capital outlay expenditures of \$134 million in fiscal year 2012 compared to fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

At June 30, 2012, the State had \$20.864 billion in capital assets, net of accumulated depreciation, in the following categories:

Capital Assets as of June 30 (net of depreciation, in millions of dollars)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and land improvements	\$ 3,023	\$ 2,918	\$ -	\$ -	\$ 3,023	\$ 2,918
Site improvements	326	339	-	-	326	339
Buildings and building improvements	2,094	2,150	1	1	2,095	2,151
Equipment	240	216	2	2	242	218
Intangible assets	182	159	2	1	184	160
Infrastructure	14,884	14,293	-	-	14,884	14,293
Other	38	38	-	-	38	38
Subtotal	20,787	20,113	5	4	20,792	20,117
Construction in progress	72	45	-	-	72	45
Total	\$ 20,859	\$20,158	\$ 5	\$ 4	\$20,864	\$20,162

Infrastructure assets consist of 71% of the State's net capital assets and comprise \$1.640 billion of the \$1.967 billion (83%) of the current year additions to capital assets of governmental activities. The State capitalizes and depreciates its roads and road improvements over a twenty year period and its bridges over a forty year period. More detailed information regarding the State's capital assets is presented in Note 7 of the financial statements on page 92.

Debt Administration:

Bonded Indebtedness

The State, certain State agencies and component units of the State are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State and are considered a direct debt of the State. Special obligation bonds are also considered direct debt of the State but are not backed by the full faith and credit of the State. Rather, special obligation bonds are supported and repaid only by a dedicated State revenue source. Revenue bonds are not backed by the full faith and credit of the State but are backed by a specific revenue stream. Some revenue bonds can be considered moral

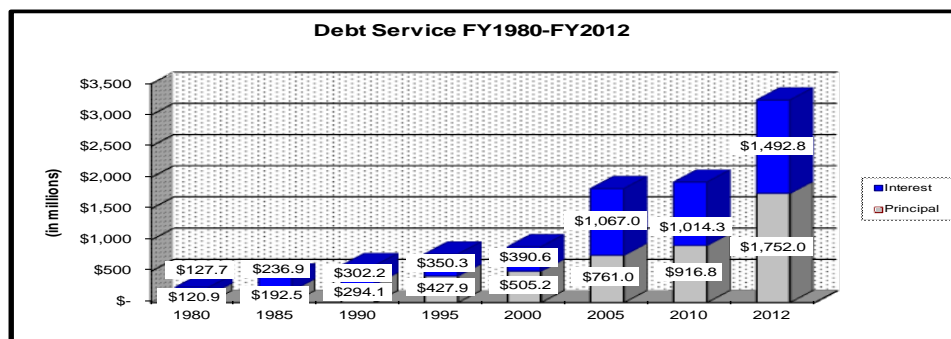
obligation debt which means that if resources from the specified revenue stream are insufficient to support the debt service, the State is then obligated. Also, some revenue bonds are classified as indirect debt which means that the asset is the property of a local government but part of the payment of the debt service comes from State resources. Lastly, some revenue bonds can be considered conduit debt which implies no obligation for the State. More detailed information regarding the State's long-term debt obligations is presented in Notes 9, 10 and 11 to the financial statements beginning on page 102.

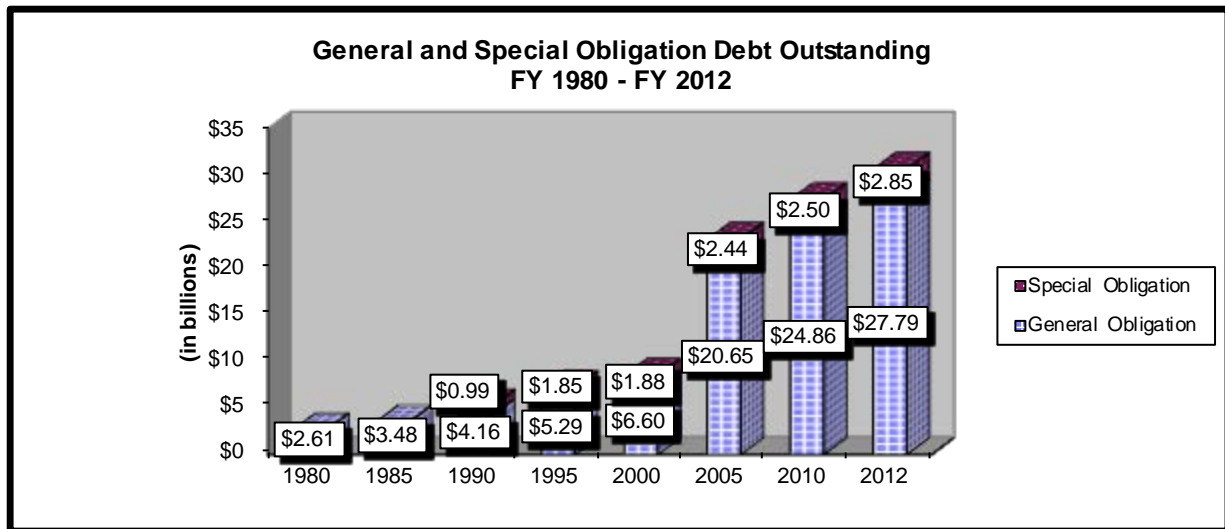
Outstanding Bonded Debt as of June 30 (in millions of dollars)						
Primary Government	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds (backed by the State)	\$ 27,793	\$ 28,016	\$ -	\$ -	\$27,793	\$ 28,016
Special obligation bonds (backed by specific fee revenue)	2,852	2,314	-	-	2,852	2,314
Revenue bonds (backed by specific tax and fee revenue)	1,444	1,503 *	535	645	1,979	2,148
	<u>\$ 32,089</u>	<u>\$ 31,833</u>	<u>\$ 535</u>	<u>\$ 645</u>	<u>\$32,624</u>	<u>\$ 32,478</u>

* Revenue bonds were issued in fiscal year 2011 by the Railsplitter Tobacco Settlement Authority, a blended component unit of the State.

As shown above, Illinois had outstanding general and special obligation bonds at June 30, 2012 totaling \$30.645 billion. Bonds have been issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correction and conservation purposes, and for maintenance and construction of highway and waterway facilities. Bonds also have been issued to provide assistance to municipalities for construction of sewage treatment facilities, port districts, aquarium facilities, local schools, mass transportation and aviation purposes, and to fund research and development of coal and alternative energy sources. In addition, bonds have been issued to make pension contributions to the State's retirement systems and to fund a portion of the State's unfunded portion of prior year's retirement liabilities. The outstanding amount of \$9.700 billion, \$2.080 billion and \$3.700 billion for pension purposes, issued in 2003, 2010, and 2011 respectively, are included in the outstanding general obligation bonds as of June 30, 2012.

General obligation bonds aggregating \$3.173 billion were issued during fiscal year 2012 at interest rates ranging from 0.75% to 5.75%. In addition, special obligation bonds aggregating \$725 million were issued during fiscal year 2012 at interest rates ranging from 0.44% to 5.00%. Debt service principal of \$1.752 billion and interest costs of \$1.493 billion were paid and charged, respectively, in fiscal year 2012. The dramatic increase in debt service payments and outstanding debt since fiscal year 1980 is displayed in the following charts:





In addition to general and special obligation bonds, the primary government had \$1.979 billion of revenue bonds and \$10.520 billion of non-pension long-term obligations outstanding as of June 30, 2012.

The State's general obligation bond ratings were A2 with a Stable Outlook by Moody's Investor Services, A+ with a Negative Outlook by Standard and Poor's, and A with a Stable Outlook by Fitch Ratings as of June 30, 2012. These ratings were downgraded from A1 with a Negative Outlook by Moody's at June 30, 2011. In addition, since June 30, 2012, the Standard and Poor's rating has been downgraded to A- with a Negative Outlook, the Moody's rating has been downgraded to A2 with a Negative Outlook, and the Fitch rating has been downgraded to A with a Negative Outlook.

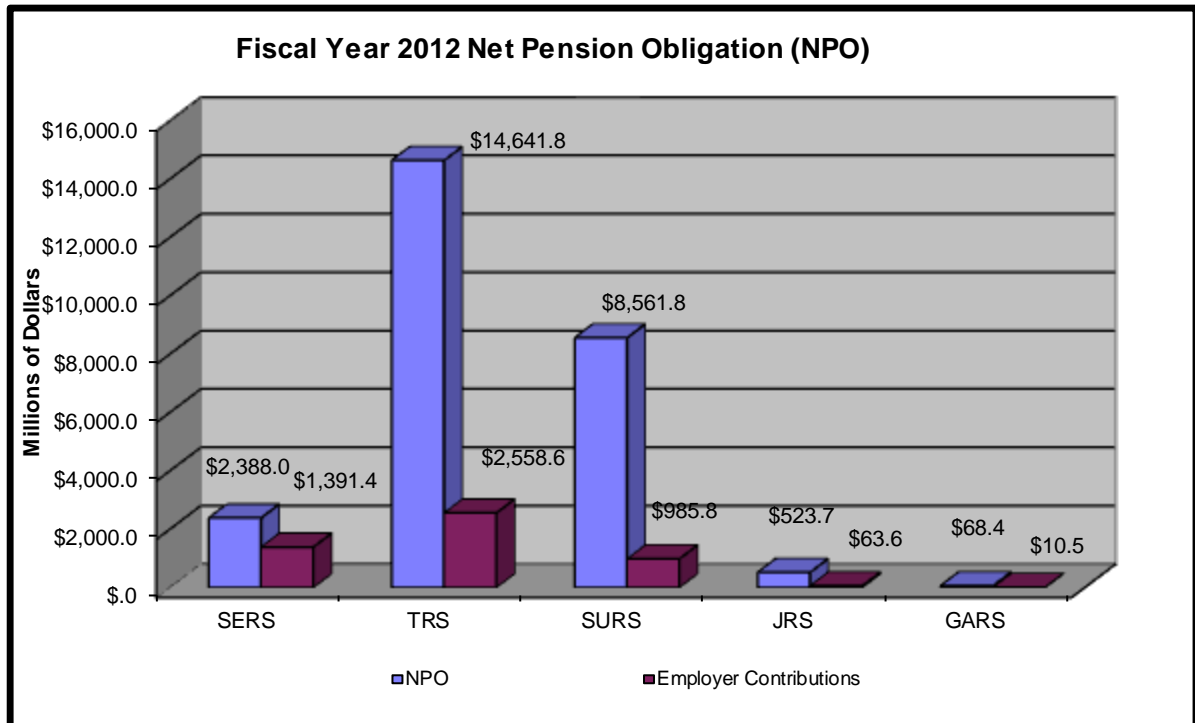
The State's special obligation—Build Illinois Bonds—ratings were A2 with a Stable Outlook from Moody's Investor Services, AAA with a Stable Outlook from Standard and Poor's, and AA+ with a Stable Outlook from Fitch Ratings as of June 30, 2012.

Retirement Systems

Besides general and special obligation bond indebtedness, the State's largest liability is its net pension obligation. During fiscal year 2012, this obligation increased \$2.158 billion from \$24.026 billion at June 30, 2011, to \$26.184 billion at June 30, 2012. Of the \$2.158 billion increase, \$1.223 billion occurred at Teachers' Retirement System where the annual pension cost ("APC") was calculated to be \$3.782 billion and employer contributions were \$2.559 billion. In addition, at State Universities Retirement System the APC was calculated to be \$1.607 billion and employer contributions were \$986 million while at State Employees Retirement System the APC was calculated to be \$1.648 billion and employer contributions were \$1.391 billion.

During fiscal year 2012, all of the State systems were substantially funded in accordance with the *statutory funding* requirement. The new law enacted in fiscal year 1996 provides for a 50-year funding plan with a 15 year phase-in and a "continuing appropriation". For fiscal years 2006 and 2007, however, the law was amended allowing for decreased contributions to the systems of only \$938.4 million and \$1,374.7 million, respectively, and requiring equal annual increments from fiscal year 2008 to 2010 (the end of the 15 year phase-in) so that by fiscal year 2011, the State would be contributing at the rate otherwise required by State law. The continuing appropriation

provides the Comptroller's Office with the authority to automatically provide funding to the pension systems based on actuarial cost requirements and amortization of the unfunded liability without being subject to the General Assembly's appropriation process. However, the State's 50-year funding plan does *not* meet the more stringent 30-year maximum amortization "parameters" required to be reported in the State's financial statements in accordance with Government Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. As the statutory funding requirement allows for the 15-year phase-in and is amortized over a maximum period which is greater than the maximum period allowed by GASB, the net pension obligation has annually increased, except for fiscal year 2004 due to a general obligation bond issuance, since the implementation of GASB Statement No. 27.



ECONOMIC CONDITION AND OUTLOOK

Fiscal Year 2012

Illinois continued to suffer from the effects of the intense recession during fiscal year 2012. Each of the measures of Illinois economic activity remained weak during the fiscal year. Illinois' non-agricultural employment (derived from survey data from Illinois companies) averaged 5.710 million workers in fiscal year 2012, an increase of 66,000 jobs or 1.2% above 2011 employment and 335,000 jobs or 5.5% below peak employment of 6.045 million jobs in fiscal year 2001. A second Illinois employment estimate, obtained through household surveys, also showed an increase in Illinois employment. According to these surveys, an average of 5.970 million Illinoisans were employed in fiscal year 2012, up 28,000 or 0.5% from the prior year employment level.

The average Illinois unemployment rate decreased from 10.9% and 9.7% in fiscal years 2010 and 2011, respectively, to 9.4% in fiscal year 2012. The decreased average unemployment rate was

caused by the increase in employment levels and the drop in the average number of unemployed which decreased from 637,000 during fiscal year 2011 to 619,000 for fiscal year 2012.

The shift in Illinois employment from the manufacturing to the service sectors continued in fiscal year 2012. Average fiscal year 2012 manufacturing employment of 578,500 jobs was down 328,100 jobs or 36.2% from the cyclical peak manufacturing employment of 906,600 jobs during fiscal year 1998.

A more comprehensive measure of Illinois' economic performance is the change in state personal income adjusted for inflation. This value decreased 0.5% in fiscal year 2012 as nominal personal income rose 2.4% and the consumer price index was up 2.9%. State personal income adjusted for inflation had shown a decrease in 2010 of 3.0% and an increase of 3.1% in 2011.

Outlook

In the current national recession, the State has shown an inability to generate sufficient cash from its current revenue structure to pay operating expenditures on a timely basis. The State's two largest revenue sources, income tax and sales tax, are especially susceptible to major downturns in the economy.

Budgetary challenges and economic uncertainties along with the accumulated deficit in the General Fund, continued growth in unfunded actuarial postemployment benefit costs, and the recent ratings downgrades on debt issuances of the State may impact the State's ability to access credit markets for the continued short-term borrowings being issued to pay operational expenditures more timely and may increase interest costs of those borrowings.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors a general overview of the State's financial position and changes in the State's net assets for the year ended June 30, 2012. If you have any questions about this report or need additional financial information, contact the Office of the Comptroller at (217) 782-6000.

The State's component units issue separate audited financial statements and reports. These statements and reports may be obtained by directly contacting the component unit. Contact information can be obtained from the Office of the Comptroller at (217) 782-6000.

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State of Illinois
Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash equity with State Treasurer	\$ 8,194,924	\$ 440,479	\$ 8,635,403	\$ 438,931
Cash and cash equivalents	276,846	145,470	422,316	1,653,912
Securities lending collateral of State Treasurer	4,120,082	136,334	4,256,416	8,336
Investments	6,700	1,470,020	1,476,720	1,535,659
Securities lending collateral				90,732
Receivables, net:				
Taxes	1,722,239	625,667	2,347,906	
Intergovernmental	3,641,528	147,158	3,788,686	169,772
Other	646,829	258,946	905,775	505,911
Internal balances	11,618	(11,618)	-	
Due from fiduciary funds	4,112	232	4,344	
Due from component units	433,313	381	433,694	76,485
Due from primary government				681,712
Inventories	108,788		108,788	53,269
Prepaid expenses	9,635	322	9,957	38,681
Unamortized bond issuance costs	110,583	6,354	116,937	51,234
Loans and notes receivable, net	76,473	2,128,387	2,204,860	1,820,461
Restricted assets:				
Cash equity with State Treasurer	268,359		268,359	164,288
Cash and cash equivalents	119,212	48,672	167,884	747,850
Investments	106,098		106,098	2,899,812
Intergovernmental receivables	2,823		2,823	
Other receivables	204,809	16,705	221,514	97,925
Due from component units	671		671	
Loans and notes receivable, net	402	1,008,969	1,009,371	53,286
Other assets	5,952		5,952	2,478
Derivative instrument - asset				107
Other assets	16,250		16,250	50,617
Capital assets not being depreciated	3,243,137	476	3,243,613	1,363,733
Capital assets being depreciated, net	17,615,801	4,197	17,619,998	9,811,822
Total assets	40,947,184	6,427,151	47,374,335	22,317,013
Deferred outflow of resources	179,112		179,112	343,519
Total assets and deferred outflow of resources	41,126,296	6,427,151	47,553,447	22,660,532
LIABILITIES				
Accounts payable and accrued liabilities	8,929,418	387,604	9,317,022	871,597
Intergovernmental payables	5,249,580	62,706	5,312,286	3,902
Due to fiduciary funds	619,211		619,211	
Due to component units	625,278	56,431	681,709	76,485
Due to primary government				433,378
Unearned revenue	852,263	32,549	884,812	447,247
Obligations under security lending of State Treasurer	4,120,082	136,334	4,256,416	8,336
Securities lending collateral				90,732
Assets held for others				251,377
Short-term notes payable		1,414,221	1,414,221	8,529
Derivative instrument - swap liability	179,112		179,112	347,660
Other liabilities				41,427
Long-term obligations:				
Due within one year	2,184,812	208,966	2,393,778	825,785
Due subsequent to one year	64,940,500	2,293,256	67,233,756	8,417,415
Total liabilities	87,700,256	4,592,067	92,292,323	11,823,870
Deferred inflow of resources				107
Total liabilities and deferred inflow of resources	87,700,256	4,592,067	92,292,323	11,823,977
NET ASSETS				
Invested in capital assets, net of related debt	14,990,452	4,673	14,995,125	4,631,932
Restricted for:				
Debt service	2,857,036	9,300	2,866,336	354,609
Capital projects	195		195	87,773
Repayment of loan from component unit		200,880	200,880	
Municipal lending		2,000,344	2,000,344	
Education	5,117	42,569	47,686	
Employment and economic development	86,190		86,190	
Health and social services	70,954		70,954	
Public protection and justice	68,128		68,128	
Environment and business regulation	199,495		199,495	
Transportation	46,031		46,031	
Other purposes	220,452		220,452	
Funds held as permanent investments:				
Nonexpendable purposes	11,837		11,837	1,124,063
Expendable purposes	3,377		3,377	2,244,332
Unrestricted net assets	(65,133,224)	(422,682)	(65,555,906)	2,393,846
Total net assets	\$ (46,573,960)	\$ 1,835,084	\$ (44,738,876)	\$ 10,836,555

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Activities

For the Year Ended June 30, 2012 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Health and social services	\$26,021,677	\$ 175,218	\$ 14,418,723	
Education	17,703,469	6,666	2,260,816	
General government	2,575,789	2,177,712	102,210	\$ 23,916
Employment and economic development	1,332,412	17,107	845,284	
Transportation	4,471,245	38,595	392,967	1,530,169
Public protection and justice	3,621,072	131,729	189,249	
Environment and business regulation	1,033,428	446,925	169,251	1,125
Intergovernmental-revenue sharing	5,329,498			
Interest	1,608,440			
Total governmental activities	63,697,030	2,993,952	18,378,500	1,555,210
Business-type activities				
Unemployment compensation trust	5,087,631	3,216,031	2,636,721	
Water revolving	85,366	42,958	71,970	
Prepaid tuition program	193,523	35,294		
Lottery	1,941,324	2,682,379		
Designated account purchase program	41,617	36,110		
Federal student loans	189,251	23,688	182,872	
Other	176,034	122,779	107	
Total business-type activities	7,714,746	6,159,239	2,891,670	
Total primary government	\$71,411,776	\$9,153,191	\$ 21,270,170	\$ 1,555,210
Component units				
Authorities				
Illinois Housing Development Authority	\$ 412,414	\$ 109,201	\$ 412,544	
Toll Highway Authority	799,517	697,871		
Other Authorities	265,238	140,688	6,022	\$ 3,696
Universities				
Illinois State University	509,964	269,773	42,913	452
Northern Illinois University	583,519	269,679	112,521	
Southern Illinois University	1,136,593	526,519	101,259	8,028
University of Illinois	4,859,020	2,479,931	1,016,805	56,383
Other Universities	946,387	416,101	101,872	31
Total component units	\$ 9,512,652	\$4,909,763	\$ 1,793,936	\$ 68,590
General revenues				
Taxes:				
Income taxes				
Sales taxes				
Motor fuel taxes				
Public utility taxes				
Riverboat taxes				
Hospital assessment taxes				
Other taxes				
Interest and investment income				
Other revenues				
Payments from the State of Illinois				
Additions to permanent endowments				
Transfers				
Total general revenues, payments from the State of Illinois, additions to permanent funds and transfers				
Change in net assets				
Net assets, July 1, 2011, as restated				
Net assets, June 30, 2012				

The accompanying notes to the financial statements are an integral part of this statement.

Net (Expense) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (11,427,736)		\$ (11,427,736)	
(15,435,987)		(15,435,987)	
(271,951)		(271,951)	
(470,021)		(470,021)	
(2,509,514)		(2,509,514)	
(3,300,094)		(3,300,094)	
(416,127)		(416,127)	
(5,329,498)		(5,329,498)	
(1,608,440)		(1,608,440)	
(40,769,368)			
	\$ 765,121	765,121	
	29,562	29,562	
	(158,229)	(158,229)	
	741,055	741,055	
	(5,507)	(5,507)	
	17,309	17,309	
	(53,148)	(53,148)	
	1,336,163		
		(39,433,205)	
			\$ 109,331
			(101,646)
			(114,832)
			(196,826)
			(201,319)
			(500,787)
			(1,305,901)
			(428,383)
			(2,740,363)
19,585,251		19,585,251	
9,800,153		9,800,153	
1,269,484		1,269,484	
1,487,570		1,487,570	
495,055		495,055	
964,307		964,307	
2,341,243		2,341,243	
53,597	39,750	93,347	72,910
1,029,051		1,029,051	481,971
			2,903,755
			59,358
778,423	(778,423)	-	
37,804,134	(738,673)	37,065,461	3,517,994
(2,965,234)	597,490	(2,367,744)	777,631
(43,608,726)	1,237,594	(42,371,132)	10,058,924
\$ (46,573,960)	\$ 1,835,084	\$ (44,738,876)	\$ 10,836,555

State of Illinois

**Balance Sheet -
Governmental Funds**

June 30, 2012 (Expressed in Thousands)

	General Fund	Road Fund	State Construction Account	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash equity with State Treasurer	\$ 1,615,749	\$ 834,488	\$ 268,769	\$ 5,562,631	\$ 8,281,637
Cash and cash equivalents	16,868	5	13	314,529	331,415
Securities lending collateral of State Treasurer	2,742,227	392,475	99,790	782,718	4,017,210
Investments				112,798	112,798
Receivables, net:					
Taxes	1,351,837			370,402	1,722,239
Intergovernmental	2,234,442	311,873		1,061,313	3,607,628
Other	405,013	23,408	2,455	384,963	815,839
Due from other funds	282,837	54,885	34,705	2,268,829	2,641,256
Due from component units	537	59,575		340,198	400,310
Inventories	26,785	57,804		15,640	100,229
Loans and notes receivable, net	7,867			69,008	76,875
Other assets	15,000			7,202	22,202
Total assets	\$ 8,699,162	\$ 1,734,513	\$ 405,732	\$ 11,290,231	\$ 22,129,638
LIABILITIES					
Accounts payable and accrued liabilities	\$ 6,079,646	\$ 243,233	\$ 60,692	\$ 709,721	\$ 7,093,292
Intergovernmental payables	3,065,507	52,317	1,586	2,113,002	5,232,412
Due to other funds	3,179,378	182,354	101	1,843,839	5,205,672
Due to component units	450,331	119,143		54,842	624,316
Unavailable revenue	1,790,451	55,963		738,628	2,585,042
Unearned revenue	522,599	11,559	6,023	323,644	863,825
Obligations under security lending of State Treasurer	2,742,227	392,475	99,790	782,718	4,017,210
Matured portion of long-term liabilities	2,002	1,216			3,218
Total liabilities	17,832,141	1,058,260	168,192	6,566,394	25,624,987
FUND BALANCES (DEFICITS)					
Nonspendable - long-term portion of loans and notes receivable	7,867				7,867
Nonspendable - inventories	26,785	57,804		15,640	100,229
Nonspendable - endowments and similar funds				11,837	11,837
Restricted	39,276			3,249,709	3,288,985
Committed	864,077	618,449	237,540	2,992,245	4,712,311
Assigned				7,959	7,959
Unassigned	(10,070,984)			(1,553,553)	(11,624,537)
Total fund balances (deficits)	(9,132,979)	676,253	237,540	4,723,837	(3,495,349)
Total liabilities and fund balances (deficits)	\$ 8,699,162	\$ 1,734,513	\$ 405,732	\$ 11,290,231	\$ 22,129,638

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2012
(Expressed in Thousands)

Total fund balances-governmental funds \$ (3,495,349)

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities, not including amounts
included as assets in internal service funds of \$272,022, are not
financial resources and therefore are not reported in the funds. 20,586,916

Prepaid expenses for governmental activities are current uses of financial
resources for funds. 9,592

Bond issuance costs are reported as current expenditures in governmental
funds. However, bond issuance costs are deferred and amortized over the
life of the bonds and are included as governmental activities in the
Statement of Net Assets. 110,583

Bond refunding costs are reported as current expenditures in governmental
funds. However, bond refunding costs are deferred and amortized over
the life of the defeased bonds and are included in governmental activities
in the Statement of Net Assets. 103,026

Internal service funds are used to charge costs of certain activities to
individual funds. The assets and liabilities of the internal service funds
are reported as governmental activities in the Statement of Net Assets. 471,643

Some revenues will be collected after year-end but are "unavailable" to
pay for the current period's expenditures due to not being collectible for
several months and therefore are deferred in governmental funds. 2,585,042

Some receivables do not meet the criteria for reporting under the modified
accrual basis of accounting and are not reported in the fund level statements. 13,034

Some unearned revenue reported in the fund level statements is recognized
as revenue in the governmental activities and is excluded as liabilities
in the Statement of Net Assets. 12,875

Some liabilities reported in the Statement of Net Assets do not require the
use of current financial resources and therefore are not reported as liabilities
in governmental funds. These liabilities, not including amounts included
as liabilities in internal service funds of \$600,552, consist of:

Net pension obligation	\$	(26,183,685)	
Net other postemployment benefit obligation		(7,300,079)	
General obligation bonds		(27,792,980)	
Special obligation bonds		(2,851,752)	
Revenue bonds		(1,444,085)	
Unamortized premiums		(542,618)	
Unamortized discounts		1,808	
Other commitments		(237)	
Compensated absences		(417,382)	
Certificates of participation		(36,165)	
Pollution remediation obligation		(37,800)	
Auto liability		(10,337)	
Capital leases		(7,598)	
Installment purchases		(1,658)	
Accrued interest		(346,754)	
		(66,971,322)	

Net assets of governmental activities \$ (46,573,960)

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

**Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Fund	Road Fund	State Construction Account	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Income taxes	\$ 17,379,739			\$ 2,218,018	\$ 19,597,757
Sales taxes	6,924,776			2,869,795	9,794,571
Motor fuel taxes		\$ 296,373	\$ 209,733	768,936	1,275,042
Public utility taxes	991,906			503,345	1,495,251
Riverboat taxes				495,055	495,055
Hospital assessment taxes	961,546				961,546
Other taxes	1,778,076			390,127	2,168,203
Federal government	7,467,224	1,614,718		9,132,019	18,213,961
Licenses and fees	636,353	872,080	464,522	614,076	2,587,031
Interest and other investment income	26,592	4,508	763	20,632	52,495
Other	1,157,626	81,503		867,534	2,106,663
Total revenues	37,323,838	2,869,182	675,018	17,879,537	58,747,575
EXPENDITURES					
Current:					
Health and social services	19,732,337			5,911,083	25,643,420
Education	12,061,831			3,002,922	15,064,753
General government	1,881,097			333,286	2,214,383
Employment and economic development	69,493			1,228,810	1,298,303
Transportation	523,138	1,785,825		963,805	3,272,768
Public protection and justice	2,756,184			424,793	3,180,977
Environment and business regulation	128,984			801,430	930,414
Debt service:					
Principal	1,742	222		1,817,339	1,819,303
Interest	1,619	160		1,574,760	1,576,539
Capital outlays	16,490	530,261	648,011	721,912	1,916,674
Intergovernmental				5,329,498	5,329,498
Total expenditures	37,172,915	2,316,468	648,011	22,109,638	62,247,032
Excess (deficiency) of revenues over (under) expenditures	150,923	552,714	27,007	(4,230,101)	(3,499,457)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
General and special obligation bonds issued				2,100,040	2,100,040
Premiums on general and special obligation bonds issued				80,268	80,268
General obligation refunding bonds issued				1,797,740	1,797,740
Premiums on general obligation refunding bonds issued				165,789	165,789
Transfers-in	1,633,753	22,299	392	4,442,688	6,099,132
Transfers-out	(2,908,412)	(339,707)		(2,086,625)	(5,334,744)
Capital lease financing	1,164	1,383		241	2,788
Payment to refunded bond escrow agent				(1,934,435)	(1,934,435)
Net other sources (uses) of financial resources	(1,273,495)	(316,025)	392	4,565,706	2,976,578
Net change in fund balances	(1,122,572)	236,689	27,399	335,605	(522,879)
Fund balances (deficits), July 1, 2011, as restated	(8,009,956)	433,043	210,141	4,387,981	(2,978,791)
Increase (decrease) for changes in inventories	(451)	6,521		251	6,321
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (9,132,979)	\$ 676,253	\$ 237,540	\$ 4,723,837	\$ (3,495,349)

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2012
(Expressed in Thousands)

Net change in fund balances	\$ (522,879)
Change in inventories	6,321
	<u>(516,558)</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Prepaid expenses are recorded as uses of current financial resources in governmental funds but do not affect the expenses reported on the Statement of Activities. Prepaid expenses decreased by this amount during the year. (12,116)

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:

Capital outlays	\$ 1,916,674	
Depreciation expense	<u>(1,219,002)</u>	
Excess of capital outlays over depreciation expense		697,672

Revenues for capital assets acquired through noncash transactions are not recorded in governmental funds. However, in the Statement of Activities, program revenues are recorded for donated capital assets in this amount. 22,417

Gains and losses from capital assets no longer in use are not recorded in governmental funds but are reported as other revenues and expenses in the Statement of Activities. In the current year, these transactions include losses on capital assets scrapped, damaged or stolen. (23,039)

The amount of net revenue for internal service funds below includes contributions of capital assets from governmental activities that does not affect the net assets of governmental activities. (15,209)

Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities. 65,105

Because some revenues will not be collected for several months, they are considered "unavailable" revenues and revenue recognition is deferred in the governmental funds. Unavailable revenues increased by this amount during the year. 1,045,977

Some revenues are not recognized in the governmental funds as they relate to receivables that do not meet the criteria for reporting under the modified accrual basis of accounting. (211)

Some unearned revenue reported in the governmental funds is recognized as revenue in the governmental activities. (180)

The incurrence of long-term debt provides current financial resources to governmental funds while the repayment of the long-term debt is recorded as uses of current financial resources in governmental funds. Neither transaction has an effect on net assets. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings of debt when the long-term debt is issued whereas these amounts are deferred and amortized in the Statement of Activities.

Bond proceeds, including premiums of \$246,057	(2,209,402)	
Bond issuance costs deferred	19,789	
Bond principal retirements	1,811,400	
Deferred loss on current year refundings of debt	28,589	
Accrued interest paid to refunding agent	(76,642)	
Amortization of bond premiums	124,867	
Amortization of bond discounts	(125)	
Amortization of bond issuance costs	(19,751)	
Amortization of deferred loss on refundings of debt	(17,758)	
Capital lease and installment purchase agreement proceeds	(2,788)	
Capital lease and installment purchase principal retirements	2,208	
Certificates of participation principal retirements	<u>5,695</u>	
Net decrease in change in fund balance of governmental funds from long-term debt transactions		(333,918)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds. Also, some expenditures reported in governmental funds decrease the amount of certain long-term liabilities reported on the Statement of Net Assets and are therefore not reported as expenses in the Statement of Activities.

Increase in net pension obligation	(2,157,524)	
Increase in net other postemployment benefit obligation	(1,686,054)	
Decrease in compensated absences obligation	37,695	
Interest accreted on capital appreciation debt	(26,720)	
Decrease in auto liability obligation	1,657	
Increase in pollution remediation obligations	(1,500)	
Increase in accrued interest on obligations	(62,532)	
Increase in other obligations	<u>(196)</u>	
Net increase in expenses for net increase in long-term liabilities not reported in governmental funds		(3,895,174)

Change in net assets of governmental activities	<u>\$ (2,965,234)</u>
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The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

**Statement of Net Assets -
Proprietary Funds**

June 30, 2012 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Major					
	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Nonmajor Enterprise Funds	Total	
ASSETS						
Cash equity with State Treasurer		\$ 167,818	\$ 6,054	\$ 266,607	\$ 440,479	\$ 181,646
Cash and cash equivalents	\$ 94,355	24,686	1,363	25,066	145,470	64,643
Securities lending collateral of State Treasurer		80,163		56,171	136,334	102,872
Investments			115,454	91,157	206,611	
Receivables, net:						
Taxes	625,667				625,667	
Intergovernmental	95,499	20,577		31,082	147,158	23,689
Other	109,166	13,113	38,673	31,539	192,491	35,799
Due from other funds	14,134			8,066	22,200	1,988,303
Due from component units	239	134		8	381	33,674
Loans and notes receivable, net		160,115			160,115	
Restricted assets:						
Cash and cash equivalents				48,672	48,672	
Other receivables, net		1,321		15,384	16,705	
Loans and notes receivable, net		27,521		113,318	140,839	
Unamortized bond issuance costs		78		765	843	
Inventories						8,559
Prepaid expenses				322	322	43
Total current assets	939,060	495,526	161,544	688,157	2,284,287	2,439,228
Investments			948,058	315,351	1,263,409	
Other receivables, net			66,455		66,455	
Loans and notes receivable, net		1,968,272			1,968,272	
Restricted loans and notes receivable, net		172,038		696,092	868,130	
Unamortized bond issuance costs		261		5,250	5,511	
Capital assets not being depreciated				476	476	57,884
Capital assets being depreciated, net		56		4,141	4,197	214,138
Total noncurrent assets		2,140,627	1,014,513	1,021,310	4,176,450	272,022
Total assets	939,060	2,636,153	1,176,057	1,709,467	6,460,737	2,711,250
LIABILITIES						
Accounts payable and accrued liabilities	166,153	40	1,349	220,062	387,604	1,489,372
Intergovernmental payables	52,428	37		10,241	62,706	17,168
Due to other funds	1,386	5,076	193	26,931	33,586	27,368
Due to component units		49,190	180	7,061	56,431	962
Unearned revenue				32,549	32,549	1,313
Obligations under securities lending of State Treasurer		80,163		56,171	136,334	102,872
Short-term notes payable	1,138,264			275,957	1,414,221	
Current portion of long-term obligations		101	145,599	63,266	208,966	141,721
Total current liabilities	1,358,231	134,607	147,321	692,238	2,332,397	1,780,776
Noncurrent portion of long-term obligations		1,489	1,449,123	842,644	2,293,256	458,831
Total liabilities	1,358,231	136,096	1,596,444	1,534,882	4,625,653	2,239,607
NET ASSETS						
Invested in capital assets, net of related debt		56		4,617	4,673	248,193
Net assets restricted for:						
Debt service				9,300	9,300	4,031
Repayment of loan from component unit		200,880			200,880	
Municipal lending		2,000,344			2,000,344	
Education				42,569	42,569	
Unrestricted	(419,171)	298,777	(420,387)	118,099	(422,682)	219,419
Total net assets	\$ (419,171)	\$ 2,500,057	\$ (420,387)	\$ 174,585	\$ 1,835,084	\$ 471,643

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

**Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Major				Total	
	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES						
Charges for sales and services			\$ 609	\$ 2,823,462	\$ 2,824,071	\$ 3,069,828
Interest income pledged as revenue bond security				36,110	36,110	
Interest and other investment income		\$ 42,958	34,685	1	77,644	
Employer contributions	\$ 3,216,031				3,216,031	
Federal government	2,535,043				2,535,043	23,181
Other				5,383	5,383	27
Total operating revenues	5,751,074	42,958	35,294	2,864,956	8,694,282	3,093,036
OPERATING EXPENSES						
Cost of sales and services				398,581	398,581	499,620
Benefit payments and refunds	5,041,591			44,668	5,086,259	2,326,310
Prizes and claims				1,620,405	1,620,405	
Interest	46,040			27,209	73,249	94,667
General and administrative		18,525	5,059	218,550	242,134	137,473
Depreciation		59		782	841	23,982
Other		62,341	188,464	11,421	262,226	12,761
Total operating expenses	5,087,631	80,925	193,523	2,321,616	7,683,695	3,094,813
Operating income (loss)	663,443	(37,967)	(158,229)	543,340	1,010,587	(1,777)
NONOPERATING REVENUES (EXPENSES)						
Interest and investment income	86	1,194		38,470	39,750	657
Interest expense		(3,440)		(17,186)	(20,626)	(1,580)
Federal government	101,678	71,970		182,979	356,627	37,975
Other revenues						603
Other expenses		(1,005)		(9,428)	(10,433)	(17)
Income (loss) before transfers	765,207	30,752	(158,229)	738,175	1,375,905	35,861
Contributions of capital assets						15,217
Transfers-in	18,590	2,532		30,641	51,763	14,100
Transfers-out	(15,638)		(27)	(814,513)	(830,178)	(73)
Change in net assets	768,159	33,284	(158,256)	(45,697)	597,490	65,105
Net assets, July 1, 2011, as restated	(1,187,330)	2,466,773	(262,131)	220,282	1,237,594	406,538
NET ASSETS, JUNE 30, 2012	\$ (419,171)	\$ 2,500,057	\$ (420,387)	\$ 174,585	\$ 1,835,084	\$ 471,643

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Cash Flows -

Proprietary Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Major					
	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from sales and services			\$ 609	\$ 227,184	\$ 227,793	\$ 159,076
Cash received from lottery sales				2,669,984	2,669,984	
Cash received from transactions with other funds						3,032,707
Cash payments to suppliers for goods and services		\$ (4,751)	(2,488)	(164,987)	(172,226)	(2,877,856)
Cash payments to employees for services		(13,567)	(2,862)	(75,097)	(91,526)	(147,876)
Cash payments for lottery prizes				(1,561,172)	(1,561,172)	
Cash payments for commissions and bonuses				(151,421)	(151,421)	
Cash receipts from unemployment taxes	\$ 3,229,859				3,229,859	
Cash receipts from federal unemployment grants	2,515,598				2,515,598	
Cash payments for unemployment benefits	(4,862,312)				(4,862,312)	
Cash receipts from prepaid tuition contract sales			45,411		45,411	
Cash payments for tuition			(92,957)		(92,957)	
Cash payments for tuition contract refunds			(39,618)		(39,618)	
Cash receipts from student loan principal				133,935	133,935	
Cash receipts from student loan interest				23,640	23,640	
Cash payments for student loans issued				(9,819)	(9,819)	
Cash payments for workers' compensation						(125,234)
Cash receipts from other operating activities				5,849	5,849	48,423
Cash payments for other operating activities				(308,798)	(308,798)	
Net cash provided (used) by operating activities	883,145	(18,318)	(91,905)	789,298	1,562,220	89,240
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from borrowings, net of bond issuance costs	1,795,152				1,795,152	
Principal paid on revenue bonds and other borrowings	(2,794,952)	(15,323)		(147,997)	(2,958,272)	
Interest paid on revenue bonds and other borrowings		(3,349)		(80,731)	(84,080)	(138)
Grants received		65,008		185,933	250,941	37,890
Grants paid				(9,789)	(9,789)	
Transfers-in from other funds	18,590	8,400		81,635	108,625	4,100
Transfers-out to other funds	(15,784)		(27)	(764,061)	(779,872)	(73)
Federal recovery funds	101,678				101,678	
Reimbursement for arbitrage		(1,000)			(1,000)	
Net cash provided (used) by noncapital financing activities	(895,316)	53,736	(27)	(735,010)	(1,576,617)	41,779
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets		(21)		(1,610)	(1,631)	(27,503)
Principal paid on capital debt		(4)			(4)	(7,097)
Interest paid on capital debt						(1,530)
Proceeds from sales of capital assets						7
Net cash used by capital and related financing activities		(25)		(1,610)	(1,635)	(36,123)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investment securities			(348,337)	(87,628)	(435,965)	
Proceeds from sales and maturities of investment securities			419,608	149,200	568,808	
Cash paid to investment managers			(1,493)		(1,493)	
Cash paid for long-term annuity prizes payable				(68,581)	(68,581)	
Loan disbursements		(396,213)			(396,213)	
Loan repayments		172,977			172,977	
Interest and dividends on investments	86	45,610	21,737	1,090	68,523	620
Net cash provided (used) by investing activities	86	(177,626)	91,515	(5,919)	(91,944)	620
Net increase (decrease) in cash and cash equivalents	(12,085)	(142,233)	(417)	46,759	(107,976)	95,516
Cash and cash equivalents, July 1, 2011, as restated	106,440	334,737	7,834	293,586	742,597	150,773
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 94,355	\$ 192,504	\$ 7,417	\$ 340,345	\$ 634,621	\$ 246,289
Reconciliation of cash and cash equivalents to the Statement of Net Assets:						
Total cash and cash equivalents per Statement of Net Assets	\$ 94,355	\$ 24,686	\$ 1,363	\$ 25,066	\$ 145,470	\$ 64,643
Add: cash equity with State Treasurer		167,818	6,054	266,607	440,479	181,646
Add: restricted cash equivalents				48,672	48,672	
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 94,355	\$ 192,504	\$ 7,417	\$ 340,345	\$ 634,621	\$ 246,289

State of Illinois

Statement of Cash Flows -

Proprietary Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds					
	Major					
	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
OPERATING INCOME (LOSS)	\$ 663,443	\$ (37,967)	\$ (158,229)	\$ 543,340	\$ 1,010,587	\$ (1,777)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation		59		782	841	23,982
Provision for uncollectible accounts	254,367	62,341		16,254	332,962	675
Amortization			184,399	2,586	186,985	
Interest and investment income		(42,958)	(30,586)	(343)	(73,887)	
Interest expense				27,034	27,034	
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(169,564)		(105,127)	(8,240)	(282,931)	(6,956)
(Increase) decrease in intergovernmental receivables	(22,751)			65	(22,686)	(11,247)
(Increase) decrease in due from other funds	46,837			908	47,745	90,954
(Increase) decrease in due from component units	40			(8)	32	2,567
(Increase) decrease in loans and notes receivable				112,379	112,379	
(Increase) decrease in inventory				248	248	487
(Increase) decrease in prepaid expenses				24	24	(33)
(Increase) decrease in other assets				1	1	
Increase (decrease) in accounts payable and accrued liabilities	63,321	8	(523)	66,964	129,770	14,995
Increase (decrease) in intergovernmental payables	47,452	29		272	47,753	4,455
Increase (decrease) in due to other funds		(69)	193	(913)	(789)	1,969
Increase (decrease) in due to component units		53	65	7,061	7,179	(25)
Increase (decrease) in unearned revenue				2,336	2,336	(2,362)
Increase (decrease) in other liabilities		186	17,903	(1,262)	16,827	(28,444)
Increase (decrease) in long-term annuity prizes payable				19,810	19,810	
Total adjustments	219,702	19,649	66,324	245,958	551,633	91,017
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 883,145	\$ (18,318)	\$ (91,905)	\$ 789,298	\$ 1,562,220	\$ 89,240
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Gain (Loss) on disposal of capital assets	\$	(1)		\$ (6)	\$ (7)	\$ (16)
Transfer of assets from (to) other state funds		(4)			(4)	15,217
Increase (decrease) in fair value of investments				20,636	20,636	
Interest accreted on investments				17,186	17,186	
Interest accreted on long-term annuity prizes payable				(17,186)	(17,186)	

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

**Statement of Fiduciary Net Assets -
Fiduciary Funds**

June 30, 2012 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund Public Treasurers' External Investment Pool	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash equity with State Treasurer	\$ 211,346		\$ 1,242	\$ 441,591
Cash and cash equivalents	711,932	\$ 3,518,081	324,492	42,273
Securities lending collateral of State Treasurer	153,241		571	137,563
Investments:				
Equities	27,705,227		2,357,150	
Fixed income	10,984,205	581,299	1,857,288	
Private equity	4,175,728			
Real estate	4,909,096			
Other	6,561,644		20	923,210
Equity in Illinois State Board of Investments	11,283,936			
Securities lending collateral	2,571,295			
Receivables, net:				
Taxes				209,205
Members	76,888			
Employers	25,022			
Investment income	130,744	715	7,039	
Intergovernmental	6,425			559
Pending investment sales	2,840,224			
Other	22,404			217,893
Due from other funds	95			
Due from primary government funds	572,442			46,769
Due from component units	2,055			
Prepaid expenses	3,620			
Loans and notes receivable, net			72	
Other assets				169
Capital assets not being depreciated	1,724			
Capital assets being depreciated, net	11,121			
Total assets	72,960,414	4,100,095	4,547,874	\$ 2,019,232
LIABILITIES				
Accounts payable and accrued liabilities	284,507	150	1,274	\$ 48,043
Intergovernmental payables	5			653,159
Due to other funds	95			
Due to primary government funds	4,112	232		
Due to component units				64
Obligations under securities lending of State Treasurer	153,241		571	137,563
Security lending collateral	2,570,933			
Payable to brokers for unsettled trades	3,787,342			
Depository and other liabilities			5,187	1,180,403
Long-term obligations:				
Due within one year	72			
Due subsequent to one year	4,003			
Total liabilities	6,804,310	382	7,032	\$ 2,019,232
NET ASSETS				
Net assets held in trust for:				
Pension and other employee benefits	66,156,104			
Pool participants		4,099,713		
Other purposes			4,540,842	
Total net assets	\$ 66,156,104	\$ 4,099,713	\$ 4,540,842	

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

**Statement of Changes in Fiduciary Net Assets -
Fiduciary Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund Public Treasurers' External Investment Pool	Private-Purpose Trust Funds
ADDITIONS			
Deposits/Contributions:			
Employer	\$ 354,454		
State	4,869,091		
Participants			\$ 1,628,564
Members:			
Employees	1,781,681		
Retirees	180,604		
Federal Medicare Part D	27,335		
Other contributions	6,960		23
Total contributions	7,220,125		1,628,587
Investment income:			
Interest and other investment income	1,706,586	\$ 6,334	39,723
Increase (decrease) in fair value of investments	(1,090,795)		40,552
Reimbursements of expenses			
not separable from investment income	2,301		
Less investment expense	(314,572)	(3,335)	
Net investment income	303,520	2,999	80,275
Capital share and individual account transactions:			
Shares sold		6,436,905	
Reinvested distributions		2,999	
Shares redeemed		(6,600,044)	
Net capital share and individual account transactions		(160,140)	
Total additions	7,523,645	(157,141)	1,708,862
DEDUCTIONS			
Benefit payments	8,780,463		
Refunds	194,163		
Payments in accordance with trust agreements			1,278,129
Distribution to pool investors		2,999	
Depreciation	1,475		
General and administration	56,695		15,556
Total deductions	9,032,796	2,999	1,293,685
Change in fiduciary net assets held in trust for:			
Pension and other employee benefits	(1,509,151)		
Pool participants		(160,140)	
Individuals, organizations, and other governments			415,177
Net Assets, July 1, 2011, as restated	67,665,255	4,259,853	4,125,665
Net Assets, June 30, 2012	\$ 66,156,104	\$ 4,099,713	\$ 4,540,842

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

**Statement of Net Assets -
Component Units**

June 30, 2012 (Expressed in Thousands)

	Illinois Housing Development Authority	Toll Highway Authority	Other Authorities	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois
ASSETS AND DEFERRED OUTFLOW OF RESOURCES							
Cash equity with State Treasurer	\$ 451	\$ 438,480					
Cash and cash equivalents	387,415	29,808	\$ 162,002	\$ 41,594	\$ 44,147	\$ 131,446	\$ 616,404
Securities lending collateral of State Treasurer			8,336				
Investments	96,046		16,102	150,386	189,732	124,823	929,776
Securities lending collateral							90,732
Receivables, net:							
Intergovernmental		18,659	2				146,667
Other	7,810	17,425	3,852	12,782	40,991	67,661	312,007
Due from component units			76,205	21	137	76	37
Due from primary government	62	114,692	62,764	25,937	28,359	73,196	316,929
Inventories				3,158	3,307	9,638	32,490
Prepaid expenses		10,182	92	1,673	33	530	24,434
Unamortized bond issuance costs	11,648	15,422	938	2,454	2,430	4,615	7,942
Loans and notes receivable, net	1,696,825		11,776	9,138	8,718	17,600	62,246
Restricted assets:							
Cash equity with State Treasurer		146,511	17,777				
Cash and cash equivalents		380,390	47,189	5,387	22,463	43,401	201,833
Investments	575,083		61,062	91,018	71,645	171,572	1,835,413
Other receivables, net	92,662	3	3,069	100			
Loans and notes receivable, net			53,286				
Other assets							
Derivative instrument - asset	107						
Other assets	20,912		123	1,332	134	19,949	4,522
Capital assets not being depreciated	2,600	391,007	46,014	60,304	165,354	177,395	326,056
Capital assets being depreciated, net	30,348	4,721,242	19,056	388,542	293,585	618,083	3,075,255
Total assets	2,921,969	6,283,821	589,645	793,826	871,035	1,459,985	7,982,743
Deferred outflow of resources	3,183	307,308					33,028
Total assets and deferred outflow of resources	2,925,152	6,591,129	589,645	793,826	871,035	1,459,985	8,015,771
LIABILITIES AND DEFERRED INFLOW OF RESOURCES							
Accounts payable and accrued liabilities	67,624	170,308	11,817	24,314	53,075	60,073	429,363
Intergovernmental payables							
Due to component units			30,497	20	15,885	36	30,019
Due to primary government	323,015	59,905	17,152		101	312	32,485
Unearned revenue	11,392	162,925	23,713	7,861	26,564	43,537	147,611
Obligations under securities lending collateral of State Treasurer			8,336				
Securities lending collateral							90,732
Assets held for others	174,991			3,752		20,643	44,607
Short-term notes payable			3,058				4,084
Derivative instrument - liability	3,183	307,308					37,169
Other liabilities			35,656				
Long-term obligations:							
Due within one year	242,912	194,600	24,837	10,173	12,743	39,848	277,179
Due subsequent to one year	1,269,203	3,845,333	227,811	160,781	378,561	352,880	1,829,491
Total liabilities	2,092,320	4,740,379	382,877	206,901	486,929	517,329	2,922,740
Deferred inflow of resources	107						
Total liabilities and deferred inflow of resources	2,092,427	4,740,379	382,877	206,901	486,929	517,329	2,922,740
NET ASSETS							
Invested in capital assets, net of related debt	(6,464)	1,095,893	28,819	300,293	172,806	501,108	1,940,396
Restricted for:							
Debt service		295,858	3,634			18,555	31,604
Capital projects			17			85,188	2,568
Nonexpendable purposes			241	68,170	45,711	96,950	845,090
Other expendable purposes	737,108	69	82,910	35,175	29,857	86,404	1,226,680
Unrestricted	102,081	458,930	91,147	183,287	135,732	154,451	1,046,693
Total net assets	\$ 832,725	\$ 1,850,750	\$ 206,768	\$ 586,925	\$ 384,106	\$ 942,656	\$ 5,093,031

The accompanying notes to the financial statements are an integral part of this statement.

Other Universities		Total
	\$	438,931
\$ 241,096		1,653,912
		8,336
28,794		1,535,659
		90,732
4,444		169,772
43,383		505,911
9		76,485
59,773		681,712
4,676		53,269
1,737		38,681
5,785		51,234
14,158		1,820,461
		164,288
47,187		747,850
94,019		2,899,812
2,091		97,925
		53,286
2,478		2,478
		107
3,645		50,617
195,003		1,363,733
665,711		9,811,822
1,413,989		22,317,013
		343,519
1,413,989		22,660,532
55,023		871,597
3,902		3,902
28		76,485
408		433,378
23,644		447,247
		8,336
		90,732
7,384		251,377
1,387		8,529
		347,660
5,771		41,427
23,493		825,785
353,355		8,417,415
474,395		11,823,870
		107
474,395		11,823,977
599,081		4,631,932
4,958		354,609
		87,773
67,901		1,124,063
46,129		2,244,332
221,525		2,393,846
\$ 939,594	\$	10,836,555

State of Illinois**Statement of Activities -
Component Units**

For the Year Ended June 30, 2012 (Expressed in Thousands)

Functions/Programs	Expenses	Program revenues			Net (expense) revenue
		Charges for service	Operating grants and contributions	Capital grants and contributions	
Authorities:					
Illinois Housing Development Authority	\$ 412,414	\$ 109,201	\$ 412,544		\$ 109,331
Toll Highway Authority	799,517	697,871			(101,646)
Other authorities	265,238	140,688	6,022	\$ 3,696	(114,832)
Universities:					
Illinois State University	509,964	269,773	42,913	452	(196,826)
Northern Illinois University	583,519	269,679	112,521		(201,319)
Southern Illinois University	1,136,593	526,519	101,259	8,028	(500,787)
University of Illinois	4,859,020	2,479,931	1,016,805	56,383	(1,305,901)
Other universities	946,387	416,101	101,872	31	(428,383)
Total	\$ 9,512,652	\$ 4,909,763	\$ 1,793,936	\$ 68,590	\$ (2,740,363)

The accompanying notes to the financial statements are an integral part of this statement.

State appropriations	General revenues		Additions to permanent endowments	Total general revenues and additions to permanent endowments	Change in net assets	Net assets, July 1, 2011, as restated	Net assets, June 30, 2012
	Interest and investment income	Other					
	\$ 4,887	\$ 6,307		\$ 11,194	\$ 120,525	\$ 712,200	\$ 832,725
	765	29,644		30,409	(71,237)	1,921,987	1,850,750
\$ 25,535	2,301	87,951	\$ 50	115,837	1,005	205,763	206,768
179,332	(51)	45,384	5,031	229,696	32,870	554,055	586,925
218,887	762	5,197	5,161	230,007	28,688	355,418	384,106
501,870	5,020	82,561	2,341	591,792	91,005	851,651	942,656
1,544,831	57,439	161,277	40,344	1,803,891	497,990	4,595,041	5,093,031
433,300	1,787	63,650	6,431	505,168	76,785	862,809	939,594
<u>\$ 2,903,755</u>	<u>\$ 72,910</u>	<u>\$ 481,971</u>	<u>\$ 59,358</u>	<u>\$ 3,517,994</u>	<u>\$ 777,631</u>	<u>\$ 10,058,924</u>	<u>\$ 10,836,555</u>

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STATE OF ILLINOIS

Notes to the Financial Statements

June 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Illinois have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as prescribed in pronouncements of the Governmental Accounting Standards Board (“GASB”).

A. Financial Reporting Entity

The State of Illinois is a “primary government” whose financial statements consist of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The financial statements include all funds, elected offices, departments, and agencies as well as boards, commissions, authorities, and universities for which the State’s elected officials are financially accountable. Financial accountability exists when the State’s governing body appoints a majority of an organization’s governing board and (1) the State can impose its will upon the organization or (2) there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the State.

The State’s governing body consists of the legislative, executive, and judicial branches of government. The legislative function is controlled by an elected General Assembly composed of a 59-member Senate and a 118-member House of Representatives. The executive branch consists of the Governor (the chief executive of the State), the Lieutenant Governor, the Attorney General, the Secretary of State, the Comptroller, and the Treasurer. The judicial branch is composed of a seven-member Supreme Court, five Appellate court districts, and twenty-three Circuit Court judicial districts including Cook County.

The financial statements distinguish between the “primary government” and its “component units.” The State’s participation in a joint venture, related organizations, and jointly governed organizations is separately disclosed below. The primary government, which consists of organizations that make up the State’s legal entity, is the nucleus of the State’s reporting entity. Component units are legally separate organizations for which the State is financially accountable. Complete financial statements of the individual component units can be obtained from the respective component unit’s administrative offices (as listed in parentheses below).

Fiduciary Component Units

The State has two fiduciary component units that administer pension (and other employee benefit) trust funds. These entities are legally separate from the State and meet the definition of a component unit because they are fiscally dependent on the State; however, due to their fiduciary nature they are presented in the Fiduciary Fund Statements as pension (and other employee benefit) trust funds along with other primary government fiduciary funds.

1. *Teachers' Retirement System ("TRS")*. TRS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan which provides coverage to teachers employed by public school districts in Illinois (excluding Chicago) even though most covered employees are not State employees. The State of Illinois is legally mandated to make contributions to TRS.
2. *State Universities Retirement System ("SURS")*. SURS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan which provides coverage to faculty and staff of State universities, community colleges, and related agencies even though most covered employees are not State employees. The State of Illinois is legally mandated to make contributions to SURS.

Blended Component Unit

The following component units are reported, as exclusion would be misleading to the State's financial statements, as though they are a part of the primary government using the blending method since they provide services primarily to benefit the State:

1. *Office of the Special Deputy Receiver ("OSD")*. The OSD acts as agent for the State of Illinois in supervising the conservation, rehabilitation, or liquidation of insurance companies. The OSD reports on a December 31 year-end. (Administrative Office: 222 Merchandise Mart Plaza, Suite 960, Chicago, Illinois 60654).
2. *Railsplitter Tobacco Settlement Authority ("RTSA")*. The RTSA was established in July 2010 as a special purpose corporation to sell revenue bonds, repayment of which is supported solely by future tobacco settlement revenues ("TSRs"). The State relinquished rights to \$4.1 billion of TSRs to RTSA in exchange for a significant portion of the revenue bond proceeds and a residual certificate representing the State's ownership in excess TSRs to be received by RTSA during the term of the Sales Agreement. (Administrative Office: James R. Thompson Center, 100 W. Randolph St., Chicago, Illinois 60601).

Discretely Presented Component Units

Discretely presented component units are reported in separate columns to emphasize that they are legally separate from the State. The discretely presented component units presented below have a voting majority of their governing bodies appointed by the State.

1. *Illinois Housing Development Authority ("IHDA")*. The IHDA issues notes and bonds to make loans for the acquisition, construction, and rehabilitation of housing and to encourage home ownership. The State approves bonds and notes issued by the IHDA and is secondarily liable for its debt if there is not sufficient IHDA monies available to pay principal and interest. (Administrative Offices: 401 North Michigan Avenue, Suite 700, Chicago, Illinois 60611).
2. *Illinois State Toll Highway Authority ("THA")*. The THA operates a toll highway system to promote the public welfare and to facilitate vehicular traffic by providing convenient, safe, modern, and limited access highways within Illinois. The State substantially approves the THA's budget. The THA reports on a December 31 year-end. (Administrative Offices: 2700 Ogden Avenue, Downers Grove, Illinois 60515).

3. *Illinois Literacy Foundation (“Foundation”)*. The Foundation promotes literacy among the residents of the State of Illinois by supporting literacy programs and enhancing Statewide literacy awareness. The State has the ability to appoint, hire, reassign, and dismiss those persons responsible for the day-to-day operations of the Foundation. (Administrative Offices: 100 West Randolph, Suite 5-400, Chicago, Illinois 60601).
4. *Illinois Grain Insurance Corporation (“Corporation”)*. The Corporation was created for the purpose of improving the economic stability of agriculture in the State of Illinois by establishing a fund to pay grain producers and other claimants for losses incurred by the failure of a grain dealer or warehouseman. The State has the ability to remove appointed members of the Corporation’s governing board at will. (Administrative Offices: State Fairgrounds, Springfield, Illinois 62794).
5. *Illinois Conservation Foundation (“Foundation”)*. The Foundation was created to promote, support, assist, sustain, and encourage the charitable, educational, scientific, and recreational programs, projects, and policies of the Illinois Department of Natural Resources. The State has the ability to appoint, hire, reassign, and dismiss those persons responsible for the day-to-day operations of the Foundation. (Administrative Offices: One Natural Resources Way, Springfield, Illinois 62702-1271).
6. *Comprehensive Health Insurance Plan (“CHIP”) Board*. The CHIP provides an alternate market for health insurance for eligible Illinois residents having a pre-existing health condition. The State substantially approves the CHIP’s budget. (Administrative Offices: 320 West Washington, Suite 700, Springfield, Illinois 62701).
7. *East St. Louis Financial Advisory Authority (“Authority”)*. The Authority was created to provide a secure financial basis for and to furnish assistance to the city of East St. Louis. The State funds certain programs of the Authority. (Administrative Offices: 10 Collinsville Avenue, East St. Louis, Illinois 62201).
8. *Illinois Finance Authority (“Authority”)*. The Authority was created to foster economic development to the public and private institutions that create and retain jobs and improve the quality of life in Illinois by providing access to capital. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 180 North Stetson, Suite 2555, Chicago, Illinois 60601).
9. *Illinois Medical District Commission (“Commission”)*. The Commission was created to maintain and expand a designated “medical district.” The State substantially approves the Commission’s budget. (Administrative Offices: 2100 W. Harrison Street, Chicago, Illinois 60612-3706).
10. *Quad Cities Regional Economic Development Authority (“Authority”)*. The Authority promotes economic development within the counties of Rock Island, Henry, and Mercer in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 1830 Second Avenue, Suite 200, Rock Island, Illinois 61201).
11. *Southwestern Illinois Development Authority (“Authority”)*. The Authority promotes economic development within the counties of St. Clair and Madison in the State of

Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 1022 Eastport Plaza, Collinsville, Illinois 62234).

12. *Southeastern Illinois Economic Development Authority ("Authority")*. The Authority promotes economic development in Fayette, Cumberland, Clark, Effingham, Jasper, Crawford, Marion, Clay, Richland, Lawrence, Jefferson, Wayne, Edwards, Wabash, Hamilton, and White counties and Irvington Township in Washington County. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 200 Potomac Boulevard, Mt. Vernon, Illinois 62864).
13. *Upper Illinois River Valley Development Authority ("Authority")*. The Authority promotes economic development within the counties of Grundy, LaSalle, Bureau, Putnam, Kendall, Kane, McHenry, and Marshall in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 633 LaSalle Street, Suite 401, Ottawa, Illinois 61350).
14. *Boards of Trustees of Chicago State University ("CSU"), Eastern Illinois University ("EIU"), Governors State University ("GSU"), Northeastern Illinois University ("NEIU"), Western Illinois University ("WIU"), Illinois State University ("ISU"), Northern Illinois University ("NIU"), Southern Illinois University ("SIU"), and University of Illinois ("U of I") ("boards")*. The boards of the respective universities operate, manage, control, and maintain the schools. The State provides significant financial support to the boards of the universities. Certain universities have donor restricted endowments that are restricted as to spending by the donor which are detailed in their separately issued financial statements. The Uniform Management of Institutional Funds Act permits the boards to spend net appreciation of endowments as they determine to be prudent. (Administrative Offices:
 - CSU, 9501 South King Drive, Chicago, Illinois 60628
 - EIU, 600 Lincoln Avenue, Charleston, Illinois 61920
 - GSU, 1 University Parkway, University Park, Illinois 60466
 - NEIU, 5500 North St. Louis Avenue, Chicago, Illinois 60625
 - WIU, 1 University Circle, Macomb, Illinois 61455
 - ISU, Hovey Hall, Normal, Illinois 61790-1200
 - NIU, 300 Altgeld Hall, DeKalb, Illinois 60115
 - SIU, 1400 Douglas Drive, Carbondale, Illinois 62901
 - U of I, 111 East Green, Champaign, Illinois 61820).

The following component units must obtain the State's approval for debt issuances:

1. *Will-Kankakee Regional Development Authority ("Authority")*. The Authority promotes economic development within the counties of Will and Kankakee in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 116 North Chicago Street, Suite 101, Joliet, Illinois 60432).
2. *Western Illinois Economic Development Authority ("Authority")*. The Authority promotes economic development within the counties of Adams, Brown, Cass, Fulton,

Hancock, Henderson, Mason, McDonough, Morgan, Pike, Scott, Schuyler, and Warren in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest (Administrative Offices: 510 North Pearl Street, Suite 300, Macomb, Illinois 61455).

Excluding the following component units from the State's financial statements would be misleading and therefore the component units are included because of the nature of the component units' relationship with the State:

1. *IMSA Fund for Advancement of Education ("IMSA Fund")*. The IMSA Fund was established for the purpose of benefiting, performing the function of, and carrying out certain charitable, educational, literary, and scientific purposes of the Illinois Mathematics and Science Academy, a primary government agency. (Administrative Offices: 1500 West Sullivan Road, Aurora, Illinois 60506-1000).
2. *Illinois Arts Council Foundation ("Foundation")*. The Foundation was established to further charitable, literary, and educational art awareness programs. (Administrative Offices: James R. Thompson Center, 100 West Randolph, Suite 10-500, Chicago, Illinois 60601-3298).

Joint Venture

The State is a participant with the states of Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin in the Great Lakes Protection Fund ("Fund"), an Illinois not-for-profit corporation. The Fund is the nation's first multi-state environmental endowment and was established in 1989 for furthering Federal and State commitments to programs that restore and maintain the Great Lakes' water quality. This purpose is achieved by providing grant money for projects that promote the objectives of the regional Great Lakes Toxic Substance Control Agreement and the binational Great Lakes Water Quality Agreement.

A state becomes a member of the Fund by agreeing to contribute an amount set forth in the Articles of Incorporation. The required contribution from all member states at incorporation was \$81 million. The Fund's net assets on December 31, 2011 were \$104.766 million.

Once a state agrees to make the required contribution, that state's governor becomes a "member" of the Fund. Each member is entitled to appoint two individuals to the board of directors. Budgetary and financial decisions rest with the board of directors except where restricted by the Articles of Incorporation. Two-thirds of the Fund's income is used to finance projects compatible with the organization's objectives as set forth in the Articles of Incorporation. The remaining one-third of income is paid to member states in proportion to the amount and period of time that each state's contribution was invested with the Fund ("state shares"). Illinois received a state share for 2011 of \$83 thousand. Complete financial statements of the Fund can be obtained from the Fund's Administrative Offices at 1560 Sherman Avenue, Suite 880, Evanston, Illinois 60201.

Related Organizations and Jointly Governed Organizations

The State's officials are responsible for appointing the majority of the members of the boards of various related organizations, but the State's accountability for these organizations does not extend beyond making the appointments.

The State's officials, in conjunction with various other state and local government officials, are members of the boards of other organizations. However, the State has no ongoing financial interest or responsibility except the role of a participant in the various organizations' purpose and, in certain instances, pays annual dues or assessments.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the State and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints that are imposed by management, but can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including fiduciary funds and blended component units. Separate statements for each fund category-governmental, proprietary, and fiduciary-are presented. The emphasis on fund financial statements is on the major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, generally result from nonexchange transactions or ancillary activities.

Proprietary fund operating expenses include costs directly related to providing services and producing and delivering goods. All expenses not meeting this definition are reported as nonoperating expenses.

The State reports the following major governmental funds:

General – This is the State’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. These services include, among others, employment and economic development, education, and health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The State’s General Fund contains four primary sub-accounts (General Revenue, Education Assistance, Common School, and Medicaid Provider Assessment Program) with numerous secondary sub-accounts.

Road – This fund accounts for the activities of the State highway programs including highway maintenance and construction, traffic control and safety, and administering motor vehicle laws and regulations. Funding sources include federal aid, transfers from the Motor Fuel Tax Fund, and various license and fee charges.

State Construction Account – This fund accounts for the construction, reconstruction, and maintenance of the State maintained highway system. Funding sources include a portion of motor vehicle registration fees, weight taxes, and transfers from the Motor Fuel Tax Fund.

The State reports the following major proprietary funds:

Unemployment Compensation Trust – This fund accounts for the activities of the unemployment insurance program including employer contributions, Federal Unemployment Trust advances, and benefit claims.

Water Revolving – This fund accounts for the activities of a revolving loan program for local government drinking water and sewage treatment infrastructure. Certain loans receivable in the fund are restricted due to revenue bond covenants.

Prepaid Tuition Fund – This fund accounts for the net assets held by *College Illinois!*, the Illinois prepaid tuition program. The program provides Illinois families with an affordable tax-advantaged method to pay for college.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue – These funds account for and report resources obtained from specific revenue sources that are legally restricted, committed or assigned to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.

Debt Service – These funds account for and report governmental resources obtained and restricted, committed or assigned to pay interest and principal on general long-term debt (other than capital leases, installment purchases, workers' compensation, and unfunded retirement benefit costs).

Capital Projects – These funds account for and report resources obtained and restricted, committed or assigned to the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general and special obligation bond issues and certificates of participation.

Permanent – These funds account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens.

Proprietary Fund Types:

Enterprise – These funds account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service – These funds account for data processing, printing, fleet management, telecommunications, professional services, workers' compensation claims, medical and dental benefits for State employees, and other services provided to agencies of the State on a reimbursement basis.

Fiduciary Fund Types:

Pension (and Other Employee Benefit) Trust – These funds account for resources that are required to be held in trust for the members and beneficiaries of the State's five Public Employee Retirement Systems, the State's Deferred Compensation Plan Fund, and the health insurance postemployment benefit plans for community colleges and for local school districts, excluding Chicago, administered by the State.

Investment Trust – The Public Treasurer's External Investment Pool Fund accounts for the external portion of the investment pool sponsored by the State.

Private-Purpose Trust – These funds account for resources legally held in trust for use by individuals in the State's qualified tuition program under Section 529 of the Internal Revenue Code and other amounts held for individuals, private organizations, and other governments. There is no requirement that any portion of these resources be preserved as capital.

Agency – These funds account for collections of child support payments, sales and telecommunications taxes assessed by local governments but collected by the State, and other deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

Component Units

The component units' statements provide aggregate information about the State's discretely presented component units, emphasizing major component units. The State's major component units are the Illinois Housing Development Authority, the Illinois State Toll Highway Authority, Illinois State University, Northern Illinois University, Southern Illinois University, and the University of Illinois.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary Fund, Fiduciary Fund, and Component Unit Financial Statements

The government-wide, proprietary fund, fiduciary fund, and component unit financial statements are reported using the economic resources measurement focus (except for agency funds which do not have a measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, excise taxes, wealth taxes, grants, entitlements, and donations. On an accrual basis, revenues from self-assessed taxes, principally income, excise, and wealth taxes, are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of formal debt issues and acquisitions under capital leases and installment purchases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include individual and corporate income taxes, sales taxes, public utility taxes, motor fuel taxes, and interest income. The tax revenues are recorded by the State as taxpayers earn income (individual income tax, corporate income tax, and other taxes), as sales are made (sales taxes, public utility taxes, motor fuel taxes, and other taxes), or as the taxable event occurs (other taxes) net of estimated overpayments and amounts not expected to be collected. All other revenue sources including fines, penalties,

licenses, and other miscellaneous revenues are considered to be measurable and available only when cash is received.

Private-Sector Standards

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State generally has elected not to follow subsequent private-sector guidance.

D. Eliminations

Eliminations have been made in the government-wide statement of net assets to minimize the “grossing-up” effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Amounts reported in the funds as receivable from or payable to fiduciary funds have been included in the statement of net assets as receivable from and payable to external parties, rather than as internal balances.

Eliminations have been made in the statement of activities to remove the “doubling-up” effect of internal service fund activity. The effect of similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function also have been eliminated, so that the allocated expenses are reported only by the function to which they were allocated.

E. Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase. Cash equivalents consist principally of certificates of deposit, repurchase agreements, and U.S. treasury bills and are stated at cost.

F. Investments

Investments are reported at fair value. Generally, the marketable securities are valued at closing prices listed on national securities exchanges and quotes from independent pricing services as of June 30. Real estate and venture capital are valued based upon appraisals and discounted cash flow analysis.

The Illinois Public Treasurers’ Investment Pool, known as The Illinois Funds, operates as a 2a7-like pool and thus reports all investments at amortized cost rather than market value. The fair value of the pool is the same as the value of the pool shares. The Treasurer’s investment policies are governed by State statute. In addition, the Treasurer’s Office has adopted its own investment practices that supplement the statutory requirement. The Treasurer’s Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

The State's financial statements contain certain investments that meet the definition of "derivatives." Derivative investments included in the pension trust funds are described in more detail in Note 14.

G. Inventories and Prepaid Expenditures

Inventory is generally reported on the financial statements at moving-average cost. For governmental funds, the State recognizes the costs of material inventories as expenditures when purchased. The inventory amounts reported in the governmental funds do not reflect current appropriable resources, and therefore, the State reports an equivalent portion as nonspendable fund balance.

For governmental funds, prepaid expenditures are recognized when paid.

H. Interfund Transactions

The State has the following types of interfund transactions:

Interfund Loans – amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts at year-end are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) between funds without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

I. Capital Assets

Capital assets, which include property, plant, equipment, intangible items and infrastructure, are reported at cost or estimated historical cost based on appraisals or deflated current replacement costs. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds of the primary government generally are as follows:

Table 1-1 (amounts expressed in thousands)	
Capital Asset Category	Capitalization Threshold
Infrastructure	\$ 250
Land	100
Land Improvements	25
Site Improvements	25
Buildings	100
Building Improvements	25
Equipment	5
Works of Art and Historical Treasures	5
Intangible assets - internally generated	1,000
Intangible assets - non-internally generated	25

Certain component units, however, may have adopted different capitalization thresholds. These thresholds can be obtained from their separately issued financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's estimated useful life are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as project costs are incurred. Interest incurred during the construction phase of capital assets used in business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Table 1-2	
Capital Asset Category	Estimated Useful Lives (In Years)
Infrastructure	5-50
Land	N/A
Land Improvements	N/A
Site Improvements	3-50
Buildings	10-60
Building Improvements	10-45
Equipment	3-25
Works of Art and Historical Treasures	5-7
Intangible assets - internally generated	3-25
Intangible assets - non-internally generated	3-25

The State and the University of Illinois, a major component unit, do not capitalize certain collections of works of art or historical treasures held for public exhibition, education, or research in furtherance of public service rather than capital gain. These collections are protected, kept unencumbered, cared for, and preserved. Proceeds from the sale, exchange, or other disposal of any item belonging to non-capitalized collections of works of art or historical treasures for the

State and the University of Illinois must be applied to the acquisition of additional items for the same collection.

J. Retirement Costs

Substantially all State employees, including members of the General Assembly and Judicial Branch, participate in one of three State public employee retirement systems (see Note 16). The State also maintains and funds public employee retirement systems for employees of the various State supported universities and community colleges and for public school teachers in cities other than Chicago. It is the State's policy to fund retirement costs without regard to amounts calculated under the actuarial requirements. Except for in fiscal year 2004 when the State contributed the majority of the proceeds from a \$10 billion general obligation bond, the State's contributions have been less than the retirement benefits paid during the year for the last thirty-one fiscal years. Prior to fiscal year 1982, the State had funded the retirement costs at a level at least as great as the retirement benefits paid during the year.

Annual pension cost is recorded as an expense in the government-wide statement of activities and is comprised of the State's annual required contribution ("ARC"), which equals normal cost plus interest on unfunded prior service costs and amortization of prior service costs over thirty years, one year's interest on the net pension obligation, and an adjustment to the ARC to offset the effect of actuarial amortization of past under or over contributions.

K. Capital Appreciation ("deep-discount") Bonds

Capital appreciation bonds are those bonds that are issued at stated interest rates significantly below their effective interest rate, resulting in a substantial discount. The implicit interest (i.e., discount) is not paid until the bonds mature. Therefore, the net value of the bonds "accrete" (i.e., the discount is reduced) over the life of the bonds. Capital appreciation bonds are reported in the government-wide statement of net assets at their accreted value.

L. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary, and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. A liability for these amounts is reported in governmental funds only if the liability has matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and Medicare tax).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997.

Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

Component unit financial statements also include a liability amount for compensated absences. However, they may have adopted different compensated absences policies. These policies can be obtained from their separately issued financial statements.

M. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

N. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of these deferred gains and losses.

O. Pollution Remediation Obligations

In the government-wide financial statements, pollution remediation obligations are reported at the current value of expected outlays to fund remediation costs using the expected cash flows technique. This technique measures the sum of probability-weighted amounts in a range of possible estimated amounts and uses all expectations about possible cash flows on a site-specific basis. Such ranges are weighted within “most likely”, “worst case”, and/or “best case” scenarios and are based on actual remediation cost experience, remediation cost estimates, and/or discrete cost remediation treatment possibilities. All reported obligation amounts are estimates and are subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. In cases where remediation activities beyond site investigation/assessment or feasibility studies have not begun, remaining remediation costs are not reasonably estimable and liabilities for such cases are not reported.

P. Net Assets/Fund Balances

The difference between fund assets and liabilities is “Net Assets” on government-wide, proprietary fund, and fiduciary fund financial statements and “Fund Balance” on governmental fund financial statements.

The following classifications of fund balances for governmental funds comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form such as inventories or are contractually required to be maintained intact.

Restricted – includes amounts restricted for specific purposes, that is, containing constraints placed on the use of the resources either by an external party such as creditors, grantors, contributors or laws or regulations of other governments or by imposition of law through constitutional provisions or enabling legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the State's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the State removes or changes the specified use by taking the same type of action it employed to previously commit the amounts. The uses of these funds are established by bills passed by the legislature and approved by the Governor of the State of Illinois.

Assigned – amounts constrained by the State's intent to be used for specific purposes, which don't meet the restricted or committed criteria. Intent can be expressed by the Illinois State Legislature whom the State has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – includes the residual fund balance (deficit) which has not been restricted, committed or assigned to specific purposes within the general fund and deficit fund balances of other governmental funds.

The State utilizes encumbrance accounting to identify governmental fund obligations. Unexpended appropriations at June 30th are available for subsequent expenditure to the extent that encumbrances for the purchase of equipment and commodities have been incurred at June 30th, provided the expenditure is presented for payment during the succeeding two months.

The State has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned or unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the policy is to use committed resources first, then assigned. Unassigned amounts are only used after the other resources have been used.

Q. Endowments

For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted by the State of Illinois, permits the State and its component units to appropriate an amount of realized and unrealized endowment appreciation as determined to be prudent. The State and its component units' policy is to retain the realized and unrealized appreciation within the endowment after spending rule distributions. Amounts available for expenditure are reported as restricted fund balances in governmental fund financial statements and as expendable restricted net assets held as permanent investments on government-wide, proprietary fund, and fiduciary fund financial statements.

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S. New Accounting Pronouncements

Effective for the year ending June 30, 2012, the State adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment to GASB Statement No. 53*, which establishes criteria to determine when hedge accounting should continue after the replacement of a swap counterparty or a swap counterparty's credit support provider. Information regarding derivatives is disclosed in Note 14. The implementation of the provisions of this statement required the restatement of beginning net assets in the government-wide statements, as well as a restatement of beginning net assets of the University of Illinois, a major component unit of the State.

T. Future Adoption of GASB Statements

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 60, *Accounting and Reporting for Service Concession Agreements*, which improves financial reporting by addressing issues related to service concession arrangements which are a type of public-private or public-public partnership. A service concession agreement is a contractual agreement between a transferor, a government, and an operator, a governmental or non-governmental entity, whereby a government transfers to another entity the right and related obligation to provide public services through the use of government-owned infrastructure or other public asset in exchange for significant consideration from that entity and the operator collects and is compensated by fees from third parties. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, which modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as though they are a part of the primary government using the blending method. Additionally, the statement clarifies the reporting of equity interests in legally separate organizations. The State does not believe adoption of this statement will have a material impact on its financial statements.

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the objective of which is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain Financial Accounting Standards Board ("FASB") Statements and the American Institute of CPA's ("AICPA") pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The State does not believe adoption of this statement will have a material impact on its financial statements.

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net*

Position, which was established to standardize the financial statement presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Additionally, the statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2014, the State will adopt GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expense or expenditure) or inflows of resources (revenue), certain items that were previously reported as assets and liabilities. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2014, the State will adopt GASB Statement No. 67, *Financial Reporting for Pension Plans*, which for defined benefit pension plans, establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan about which information is required to be presented. The statement also provides the note disclosure requirements for defined contribution pension plans administered through trusts which meet criteria identified within the statement. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2015, the State will adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was established to set standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses and expenditures. The statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. The State has not yet determined the impact on its financial statements as a result of adopting this statement.

2 FUND BALANCE / NET ASSETS

A. Classification of Fund Balances

Fund Balance classifications comprise a hierarchy based primarily on the extent to which the State is bound to observe constraints imposed upon the use of resources reported in governmental funds. The following table summarizes the fund balance classifications:

Table 2-1 (amounts expressed in thousands)

	General Fund	Road Fund	State Construction Account	Other Nonmajor Funds	Total Governmental Funds
Fund Balances Nonspendable:					
Long-Term Portion of Loans and Notes Receivable	\$ 7,867	\$ -	\$ -	\$ -	\$ 7,867
Inventories	26,785	57,804	-	15,640	100,229
Endowments and Similar Funds	-	-	-	11,837	11,837
Total Nonspendable	34,652	57,804	-	27,477	119,933
Restricted For:					
Debt Service	-	-	-	2,716,442	2,716,442
Health and Social Services	21,421	-	-	38,027	59,448
Education	-	-	-	1,317	1,317
General Government	10	-	-	155,009	155,019
Employment and Economic Development	-	-	-	83,688	83,688
Transportation	45	-	-	46,181	46,226
Public Protection and Justice	17,800	-	-	50,327	68,127
Environment and Business Regulation	-	-	-	158,718	158,718
Total Restricted	39,276	-	-	3,249,709	3,288,985
Committed For:					
Capital Projects	-	-	-	1,204,531	1,204,531
Health and Social Services	359,668	-	-	159,168	518,836
Drug Rebate	368,470	-	-	-	368,470
Education	-	-	-	17,696	17,696
General Government	80,356	-	-	313,927	394,283
Affordable Housing	-	-	-	373,846	373,846
Employment and Economic Development	14,160	-	-	239,877	254,037
Transportation	17,694	618,449	237,540	196,971	1,070,654
Public Protection and Justice	23,729	-	-	154,776	178,505
Environment and Business Regulation	-	-	-	331,453	331,453
Total Committed	864,077	618,449	237,540	2,992,245	4,712,311
Assigned For:					
Health and Social Services	-	-	-	1,202	1,202
Education	-	-	-	2,101	2,101
General Government	-	-	-	1,023	1,023
Employment and Economic Development	-	-	-	758	758
Public Protection and Justice	-	-	-	1,493	1,493
Environment and Business Regulation	-	-	-	1,382	1,382
Total Assigned	-	-	-	7,959	7,959
Unassigned	(10,070,984)	-	-	(1,553,553)	(11,624,537)
	<u>\$ (9,132,979)</u>	<u>\$ 676,253</u>	<u>\$ 237,540</u>	<u>\$ 4,723,837</u>	<u>\$ (3,495,349)</u>

B. Restatements

As shown in Table 2-2, the financial statements have been restated as of July 1, 2011, due to the following:

- Overstatement of net other postemployment benefits obligation
- Overstatement of interfund balances
- Consolidation of the activity of the Deferred Prize Winners' Trust with the State Lottery Fund, a nonmajor enterprise fund. The activity of the Deferred Prize Winners' Trust was previously reported as an investment trust fund.
- Implementation of GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53.

Table 2-2 (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Component Units	
	Governmental Funds		Proprietary Funds		Component Units	
	General Fund	Governmental Activities	Nonmajor Enterprise Funds	Business-Type Activities	University of Illinois	Component Units
Fund Balance/Net Assets, June 30, 2011, as previously reported	\$ (8,079,857)	\$ (43,817,650)	\$ 251,243	\$ 1,268,555	\$ 4,592,995	\$ 10,056,878
Corrections of Prior Errors						
Overstatement of net other postemployment benefits obligation	-	102,332	-	-	-	-
Overstatement of interfund balances	69,901	69,901	(69,901)	(69,901)	-	-
Reclassification of Deferred Prize Winners' Trust	-	-	38,940	38,940	-	-
Implementation of New Accounting Standards						
Implementation of GASB Statement No. 64	-	36,691	-	-	2,046	2,046
Fund Balance/Net Assets, June 30, 2011, as restated	<u>\$ (8,009,956)</u>	<u>\$ (43,608,726)</u>	<u>\$ 220,282</u>	<u>\$ 1,237,594</u>	<u>\$ 4,595,041</u>	<u>\$ 10,058,924</u>

C. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$5.822 billion of restricted net assets, of which \$2.764 billion is restricted by enabling legislation.

3 DEPOSITS AND INVESTMENTS

The State Treasurer is the custodian of the State's deposits and investments for most funds and maintains these deposits and investments in the State Treasury. The investment authority and guidelines for the Treasurer's published investment policy for the State Treasury is found in Section 22.8 of the Deposit of State Moneys Act (15 ILCS 520). The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the State Treasury are not segregated by fund; rather, each contributing fund's balance is treated as equity in the State Treasury. Accordingly, the State Treasury is not reported as a separate fund in this report. Instead, each State fund's and each component unit's balance in the State Treasury is presented as "Cash equity with State Treasurer". Investments held by the State Treasurer in the State Treasury at June 30, 2012, consisted of the following:

Table 3-1 (amounts expressed in thousands)

Investment Type	Fair Value
Repurchase agreements	\$ 2,004,605
U.S. Treasury obligations	4,648,142
U.S. Agency obligations	1,868,848
Commercial paper	1,374,256
Corporate debt securities	25,000
Money market mutual funds	498,617
Private equity	36,172
Equity in Public Treasurers' Investment Pool	1,127,074
Equity in other investment pools	342
Securities lending collateral invested in repurchase agreements	4,556,511
Total fair value	<u>\$ 16,139,567</u>

Funds maintained outside the State Treasury have independent statutory authority to manage their own deposits and investments. The investment authority of the Illinois State Board of Investment ("ISBI"), Teachers' Retirement System ("TRS"), and State Universities Retirement System ("SURS") is governed by the Illinois Pension Code (40 ILCS 5). Authorized investments consist of bonds, equities, real estate, venture capital, and other activities to be made with the care, skill, prudence, and diligence which a prudent person acting in a like capacity and familiar with such matters would use in the conduct of investing similar retirement trusts. ISBI, TRS, and SURS each have published investment policies incorporating these guidelines. Primary government investments held outside of the State Treasury at June 30, 2012, except for investments held by ISBI, TRS, and SURS, consisted of the following:

Table 3-2 (amounts expressed in thousands)

Investment Type	Fair Value
Repurchase agreements	\$ 13,892
Negotiable certificates of deposit	1,601
U.S. Treasury obligations	1,215,713
U.S. Agency obligations	160,482
Municipal debt	124,430
Annuities	1,458
Corporate debt securities	138,070
Debt mutual funds	1,674,466
Equity in Public Treasurers' Investment Pool	4,289,359
Equity in other investment pools	4,881
Government notes - non U.S.	822
Foreign equity security	76,075
Money market mutual funds	748,028
Equity securities	247,209
Equity mutual funds	4,046,832
Blended mutual funds	539,633
Guaranteed investment contracts	886,607
Bond trust funds	101,166
Equity trust funds	242,809
Other	482,040
Total fair value	<u>\$ 14,995,573</u>

The ISBI is considered to be an internal investment pool of the State of Illinois, operating solely from investment income. The ISBI manages and invests the pension assets of three separate

public employee retirement systems: General Assembly Retirement System, Judges' Retirement System of Illinois, and State Employees' Retirement System of Illinois. The ISBI's member systems retain all of the cash necessary for current operating expenditures in the State Treasury. The amount of cash received by the ISBI's member systems in excess of their current operating expenditures is transferred to the ISBI for purposes of long-term investment. The ISBI is not reported as a separate fund in this report. Instead, each member system's balance in the ISBI is presented as "Equity in the Illinois State Board of Investments". The member systems equity is approximately \$5.392 million greater than the deposits and investments of the ISBI, due to net investment assets of the ISBI.

Investments held by ISBI at June 30, 2012, consisted of the following:

Investment Type	Fair Value
U.S. Treasury obligations	\$ 383,122
U.S. Agency obligations	575,009
Corporate obligations	708,599
Common stock and equity funds	3,501,762
Foreign debt obligations	334,008
Foreign equity securities	1,764,116
Foreign preferred stock	592
Commingled funds	225,609
Hedge funds	1,026,726
Real estate	967,346
Private equity	679,423
Money market instruments	255,922
Infrastructure funds	507,020
Bank loans	328,594
Forward foreign currency contracts	(44)
Total Investments	\$ 11,257,804

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party.

Deposits

Primary Government:

In accordance with Section 6 of the Public Funds Investment Act (30 ILCS 235), uncollateralized and uninsured deposits may not exceed 75% of the capital stock and surplus of a bank, 75% of the net worth of a savings and loan association or 50% of the unimpaired capital and surplus of a credit union.

The carrying amount and bank balance of cash deposits held by the State Treasury was \$148.082 million and \$146.165 million at June 30, 2012, respectively.

The carrying amount and bank balance of cash deposits held outside of the State Treasury, except for investments held by ISBI, TRS, and SURS, was \$178.068 million and \$172.321 million at June 30, 2012, respectively. Of the total bank balance of these cash deposits at June 30, 2012, \$1.1 million was uninsured with collateral held by the pledging financial institution in the State's name, and \$2.694 million was uninsured with collateral held by the pledging financial institution but not in the State's name.

ISBI's policy outlines the control procedures used to monitor custodial credit risk for deposits. These deposits are under the custody of State Street Bank and Trust. State Street Bank and Trust has an AA- Long-term Deposit/Debt rating by Standard and Poor's and an Aa2 rating by Moody's. The carrying amount and bank balance of ISBI's cash deposits at June 30, 2012, was \$20.740 million and \$20.843 million, respectively.

TRS's foreign currency held by investment managers at June 30, 2012 totaled \$81.922 million, all of which was uninsured and uncollateralized.

SURS's cash held in its investment related bank account in excess of \$250,000 is uninsured and uncollateralized. SURS has a deposit policy for custodial credit risk which outlines due diligence and monitoring procedures. Deposits are under the custody of Northern Trust Company which has an AA- Long-term Deposit/Debt rating by Standard and Poor's and an Aa3 rating by Moody's. At June 30, 2012, the carrying amount was \$422.321 million and the bank balance was \$433.913 million, of which \$11.494 million was uninsured and uncollateralized.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Primary Government:

Section 2 of the Public Funds Investment Act limits the State's investments, both inside and outside the State Treasury, to securities of the U.S. government or its agencies, short-term obligations of domestic corporations exceeding \$500 million in assets that are rated in the three highest categories by at least two nationally recognized statistical ratings organizations not to exceed ten percent of the domestic corporations outstanding obligations, money market mutual funds invested in the U.S. government and/or its agencies, and repurchase agreements securities of the U.S. government or its agencies or money market mutual funds invested in the U.S. government or its agencies. Additional investments may be authorized in certain funds as exceptions to Section 2 of the Public Funds Investment Act pursuant to State statute prescribing the activities of a fund. The following table summarizes the Moody's credit quality ratings for debt securities held by the State Treasurer in the State Treasury at June 30, 2012:

Table 3-4 (amounts expressed in thousands)

Investment Type	Aaa	A	P-1	P-2	Not Rated	Total
Repurchase agreements	\$ -	\$ -	\$2,004,605	\$ -	\$ -	\$ 2,004,605
U.S. Agency obligations	1,501,760	-	367,088	-	-	1,868,848
Commercial paper	-	-	1,324,259	49,997	-	1,374,256
Corporate debt securities	-	15,000	-	-	10,000	25,000
Money market mutual funds	458,617	-	-	-	40,000	498,617
Equity in Public Treasurers' Investment Pool	-	-	-	-	1,127,074 **	1,127,074
Equity in other investment pools	-	-	-	-	342	342
Securities lending collateral:						
Invested in repurchase agreements	-	-	-	-	4,556,511 *	4,556,511
Total subject to credit risk	\$1,960,377	\$ 15,000	\$3,695,952	\$ 49,997	\$5,733,927	11,455,253
U.S. Treasury obligations						4,648,142
Total fixed income securities						\$ 16,103,395

* The breakdown of Moody's credit ratings of the collateral for securities lending collateral invested in repurchase agreements was as follows: 25.69% Aaa, 4.09% Aa, 5.49% A, 3.79% Baa, 1.92% Ba, 1.42% B, 1.03% Caa, .01% Ca, 4.53% P-1, 1.64% P-2, 50.39% Not Rated.

** Equity in Public Treasurers' Investment Pool was rated AAA by Standard and Poor's.

The following table summarizes the Moody's credit quality ratings for debt securities held by the primary government, except for debt securities held by ISBI, TRS, and SURS, outside of the State Treasury at June 30, 2012:

Table 3-5 (amounts expressed in thousands)

Investment Type	Aaa	Aa	A	Baa	Ba	Not Rated*	Total
Negotiable certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,601	\$ 1,601
U.S. Agency obligations	119,002	512	1,875	-	-	39,093	160,482
Municipal debt	104,960	4,611	13,990	-	-	869	124,430
Corporate debt securities	20,665	14,550	31,112	35,185	21,332	15,226	138,070
Government notes - non U.S.	822	-	-	-	-	-	822
Mutual funds	13	142	-	-	-	1,674,311	1,674,466
Equity in Public Treasurers' Investment Pool	-	-	-	-	-	4,289,359	4,289,359
Equity in other investment pools	-	-	-	-	-	4,881	4,881
Money market mutual funds	174,689	22	-	-	-	573,317	748,028
Bond trust funds	-	-	-	-	-	101,166	101,166
Total subject to credit risk	\$ 420,151	\$ 19,837	\$ 46,977	\$35,185	\$21,332	\$6,699,823	7,243,305
U.S. Treasury obligations							1,215,713
Repurchase agreements backed by U.S. Treasury obligations							13,892
Total fixed income securities							\$8,472,910

* All of the Equity in Public Treasurers' Investment Pool amounts were rated AAA by Standard and Poor's.
\$268.708 million of money market mutual funds were rated AAA by Standard and Poor's.

The portfolios of ISBI, TRS, and SURS are managed by professional investment management firms. Each investment manager must comply with risk management guidelines individually assigned to them as part of their Investment Management Agreement. With the exception of certain commingled funds, bonds below B- are not permissible in any of the fixed income investment manager guidelines. However, in circumstances where position downgrades occur, investment managers have been given permission to hold securities due to circumstances such as a higher peer group rating from another nationally recognized statistical rating organization, firm internal ratings, or other mitigating factors.

The following table summarizes the Moody's credit quality ratings for debt securities held by ISBI at June 30, 2012:

Table 3-6 (amounts expressed in thousands)

Quality Rating	Corporate Debt Obligations	Foreign Debt Obligations	U.S. Agency Obligations	Money Market Instruments	Total
Aaa	\$ 1,076	\$ 186,588	\$ 571,955	\$ -	\$ 759,619
Aa	43,831	70,837	3,054	-	117,722
A	122,180	33,559	-	-	155,739
Baa	129,636	17,922	-	-	147,558
Ba	106,897	-	-	-	106,897
B	270,603	1	-	-	270,604
Caa	12,188	-	-	-	12,188
Not rated	22,188	25,101	-	255,922	303,211
Total subject to credit risk	\$ 708,599	\$ 334,008	\$ 575,009	\$ 255,922	\$ 1,873,538

The following table summarizes the Moody's credit quality ratings for debt securities held by TRS at June 30, 2012:

Table 3-7 (amounts expressed in thousands)

Quality Rating	Corporate Debt Obligations	Foreign Debt Obligations	U.S. Agency Obligations	Municipal Obligations	Commingled Funds	Securities Lending	Total
Aaa	\$ 325,441	\$ 611,619	\$ 1,475,086	\$ 2,921	\$ -	\$ 62,130	\$ 2,477,197
Aa	86,549	113,083	1,046	34,519	208,148	484,952	928,297
A	232,215	151,000	434	18,608	-	114,770	517,027
Baa	970,858	222,181	-	-	40,189	-	1,233,228
Ba	410,072	152,732	-	-	-	-	562,804
B	344,338	25,567	-	-	30,320	-	400,225
Caa	102,246	1	-	-	-	-	102,247
Ca	13,057	-	-	-	-	-	13,057
C	1,025	-	-	-	-	-	1,025
Not rated	60,226	87,109	51,867	-	824,322	-	1,023,524
Total subject to credit risk	\$ 2,546,027	\$ 1,363,292	\$ 1,528,433	\$ 56,048	\$ 1,102,979	\$ 661,852	7,258,631
U.S. Treasury obligations							229,516
Total fixed income securities							\$ 7,488,147

The following table summarizes the Standard and Poor's credit quality ratings for debt securities held by SURS at June 30, 2012:

Table 3-8 (amounts expressed in thousands)

Quality Rating	Corporate Debt Securities	Foreign Debt Securities	U.S. Agency Obligations	Municipal Obligations	Total
AAA	\$ 135,811	\$ 17,665	\$ -	\$ 603	\$ 154,079
AA	102,947	36,881	1,074,312	29,074	1,243,214
A	305,375	32,227	247	30,592	368,441
BBB	257,593	16,189	-	199	273,981
BB	77,763	1,688	-	-	79,451
B	31,184	-	-	2,150	33,334
CCC	24,334	243	-	-	24,577
CC	9,827	-	-	-	9,827
D	14,353	-	-	185	14,538
Not rated	484,676	22,428	-	424	507,528
Total subject to credit risk	\$ 1,443,863	\$ 127,321	\$ 1,074,559	\$ 63,227	2,708,970
U.S. Treasury obligations					1,167,386
U.S. Agency obligations explicitly guaranteed by U.S. government					42,029
Less cash equivalents					(76,930)
Total fixed income securities					\$3,841,455

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Primary Government:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the State Treasurer's investment policy for the State Treasury limits investments to maturities not to exceed five years with the majority required to be in authorized investments with less than one-year maturity. In addition, no more than 10% of the investment portfolio shall be allocated to investments with a 2 to 4 year maturity band and no more than 10% of the investment portfolio shall be allocated to investments with a 4 to 5 year maturity band. For funds held outside of the State Treasury, excluding pension (and other employee benefit) trust funds, there is no formal policy limiting investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The following table summarizes the segmented time distribution of debt securities held by the State Treasurer in the State Treasury at June 30, 2012:

Table 3-9 (amounts expressed in thousands)

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Repurchase agreements	\$ 2,004,605	\$ 2,004,605	\$ -	\$ -	\$ -
U.S. Treasury obligations	4,648,142	4,648,142	-	-	-
U.S. Agency obligations	1,868,848	367,088	1,501,760	-	-
Commercial paper	1,374,256	1,374,256	-	-	-
Corporate debt securities	25,000	10,000	15,000	-	-
Money market mutual funds	498,617	498,617	-	-	-
Equity in Public Treasurers' Investment Pool	1,127,074	1,127,074	-	-	-
Equity in other investment pools	342	-	-	219	123
Securities lending collateral:					
Invested in repurchase agreements	4,556,511	4,556,511	-	-	-
Total fixed income investments	\$ 16,103,395	\$14,586,293	\$1,516,760	\$ 219	\$ 123

The following table summarizes the Weighted Average Maturity (“WAM”) for debt securities held by the primary government, except for debt securities held by ISBI, TRS, and SURS, outside of the State Treasury at June 30, 2012. The WAM expresses investment time horizons – the time when investments become due and payable – in years to reflect the dollar size of individual investments within an investment type. The portfolio’s WAM is derived by dollar-weighting the WAM for each investment type.

Table 3-10 (amounts expressed in thousands)

Investment Type	Fair Value	Weighted Average Maturity (Years)
Repurchase agreements	\$ 13,892	0.003
Negotiable certificates of deposit	1,601	3.735
U.S. Treasury obligations	1,215,713	4.829
U.S. Agency obligations	160,482	10.487
Municipal debt	124,430	10.437
Corporate debt securities	138,070	9.239
Government notes - non U.S.	822	4.630
Mutual funds	1,674,466	5.009
Equity in Public Treasurers' Investment Pool	4,289,359	0.070
Equity in other investment pools	4,881	0.041
Money market mutual funds	748,028	0.103
Bond trust funds	101,166	7.010
Total fixed income investments	\$8,472,910	

Pensions:

ISBI manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio to an effective weighted average rate between 80 and 120 percent of the benchmark index.

Duration is a measure of a debt investment’s exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment’s portfolio. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. ISBI benchmarks its debt security portfolio to

Barclay's Capital Intermediate U.S. Government/Credit Bond Index. At June 30, 2012 the effective duration of the Barclay's Capital Intermediate U.S. Government/Credit Bond Index was 3.9 years. At the same point in time, the effective duration of the ISBI debt security portfolio was 4.6 years. The following table summarizes the effective duration of the debt securities held by ISBI at June 30, 2012:

Table 3-11 (amounts expressed in thousands)

Investment Type	Fair Value	Effective Weighted Duration (Years)
Government and agency obligations:		
U.S. Treasury obligations	\$ 383,122	6.7
U.S. Agency obligations	<u>575,009</u>	2.7
	\$ 958,131	
Corporate obligations:		
Bank and finance	149,245	3.9
Collateralized mortgage obligations	1,077	2.2
Industrials	412,233	4.0
Other	<u>146,044</u>	3.8
	708,599	
Foreign obligations:		
Foreign debt obligations	<u>334,008</u>	6.5
Total subject to interest rate risk	<u>\$ 2,000,738</u>	

TRS manages its exposure to fair value loss arising from increasing interest rates by diversifying the debt securities portfolio. The following table summarizes the time segmented distribution of the debt securities held by TRS at June 30, 2012:

Table 3-12 (amounts expressed in thousands)

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	10 to 20 Years	More Than 20 Years	Other
U.S. Treasury obligations	\$ 229,516	\$ 10,921	\$ 80,610	\$ 71,790	\$ 35,906	\$ 30,289	\$ -
U.S. Agency obligations	1,528,433	369,211	190,369	264,392	378,763	325,698	-
Municipal obligations	56,048	400	966	1,495	21,387	31,800	-
Corporate debt securities	2,546,027	46,998	647,994	1,002,620	131,395	717,020	-
Foreign debt securities	1,363,292	179,457	361,761	390,938	296,471	134,665	-
Commingled funds	1,102,979	-	128,105	922,208	-	-	52,666 *
Securities lending collateral	661,852	524,503	137,349	-	-	-	-
Derivatives	<u>7,298</u>	<u>(648)</u>	<u>4,557</u>	<u>3,058</u>	<u>32</u>	<u>299</u>	<u>-</u>
Total subject to interest rate risk	7,495,445	<u>\$ 1,130,842</u>	<u>\$ 1,551,711</u>	<u>\$ 2,656,501</u>	<u>\$ 863,954</u>	<u>\$ 1,239,771</u>	<u>\$52,666</u>
Less derivatives	<u>(7,298)</u>						
Total fixed income securities	<u>\$ 7,488,147</u>						

* Maturity date is not available or applicable.

SURS manages its exposure to fair value loss arising from increasing interest rates by diversifying the debt securities portfolio. SURS has not adopted a formal policy specific to interest rate risk. The following table summarizes the time segmented distribution of the debt securities held by SURS at June 30, 2012:

Table 3-13 (amounts expressed in thousands)

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	10 to 20 Years	More Than 20 Years
U.S. Treasury and Agency obligations	\$2,283,974	\$ 284,183	\$ 509,581	\$ 403,901	\$ 323,062	\$ 763,247
Municipal obligations	63,227	351	1,677	6,795	9,798	44,606
Corporate debt securities	1,443,863	92,500	492,391	448,524	51,388	359,060
Foreign debt securities	127,321	20,272	36,647	40,521	11,583	18,298
Derivatives - swaps	11,453	797	10,375	(2,204)	1,895	590
Total subject to interest rate risk	3,929,838	<u>\$ 398,103</u>	<u>\$1,050,671</u>	<u>\$ 897,537</u>	<u>\$ 397,726</u>	<u>\$1,185,801</u>
Less derivatives - swaps	(11,453)					
Less cash equivalents	(76,930)					
Total fixed income securities	<u>\$3,841,455</u>					

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment.

Primary Government:

Only assets held by the State Treasurer and assets held outside the State Treasury by the Prepaid Tuition Fund, a major enterprise fund, and foreign offices are allowed to be used to purchase investments in foreign securities. The State Treasurer is limited by the Deposit of State Moneys Act to investments in debt instruments issued by foreign governments, except the Republic of Sudan, that are guaranteed by the full faith and credit of the foreign government in which the foreign government has not defaulted or been late in payment on similar debt instruments at the time the Treasurer purchases the debt instrument. The Prepaid Tuition Fund has an investment policy limiting international equities to 12% of its total investment portfolio.

The following table summarizes the foreign currency risk, by currency denomination, of the primary government, except for debt securities held by ISBI, TRS, and SURS, outside of the State Treasury at June 30, 2012:

Table 3-14 (amounts expressed in thousands)

<u>Currency Denomination</u>	<u>Foreign Short-term Deposits</u>	<u>Foreign Equity Securities</u>
Australian Dollar	\$ -	\$ 3,036
British Pound Sterling	-	17,082
Canadian Dollar	57	3,992
Czech Koruna	-	434
Danish Krone	-	1,861
Euro	46	20,825
Hong Kong Dollar	111	5,045
Indian Rupees	20	-
Indonesian Rupiah	-	335
Japanese Yen	69	7,675
Malaysian Ringgit	-	1,178
Mexican Peso	38	-
New Israeli Shekel	-	902
Norwegian Krone	-	1,390
Singapore Dollar	-	1,776
South African Rand	-	411
Swedish Krona	-	3,108
Swiss Franc	-	6,558
Thai Bhat	-	467
Total deposits and investments subject to foreign currency risk	<u>\$ 341</u>	<u>\$ 76,075</u>

Pensions:

The ISBI, TRS, and SURS do not have formal foreign currency risk policies. ISBI's international portfolio is constructed on the principles of diversification, quality growth and value. Risk of loss arises from changes in currency exchange rates. International managers may also engage in transactions to hedge currency at their discretion.

TRS's foreign currency risk exposure is primarily derived from its holdings in foreign currency-denominated equity, fixed income investments and foreign currency. TRS's international equity and global fixed income managers, at their discretion, may or may not hedge the portfolio's foreign currency exposures with currency forward contracts depending upon their views on a specific country or foreign currency relative to the U.S. dollar.

International investment management firms must maintain diversified portfolios for SURS. SURS's exposure to foreign currency risk derives from its positions in foreign currency and foreign currency-denominated equity investments.

The following table summarizes the foreign currency risk by currency denomination for deposits and investments held by ISBI as of June 30, 2012:

Table 3-15 (amounts expressed in thousands)

Currency Denomination	Foreign Equity Securities and Foreign Preferred Stock	Foreign Debt Obligations	Foreign FX Forwards	Foreign Rights	Foreign Warrants
Australian Dollar	\$ 82,315	\$ 16,470	\$ (86)	\$ -	\$ -
Brazilian Real	49,365	-	2	-	-
British Pound Sterling	374,618	32,868	50	-	-
Canadian Dollar	126,199	27,179	(13)	11	-
Danish Krone	27,321	4,165	-	-	-
Euro	394,895	103,643	119	18	6
Hong Kong Dollar	127,340	2,384	-	-	-
Japanese Yen	191,615	65,482	(19)	-	-
Mexican Peso	20,566	13,648	27	-	-
Norwegian Krone	24,657	6,403	4	-	-
Singapore Dollar	42,091	3,814	(13)	-	-
South African Rand	25,079	4,116	15	-	-
South Korean Won	71,317	13,527	24	-	-
Swedish Krona	27,254	10,680	(155)	-	-
Swiss Franc	138,839	7,456	(5)	-	-
Other currencies	41,237	22,173	6	1	-
Total investments subject to foreign currency risk	<u>\$ 1,764,708</u>	<u>\$ 334,008</u>	<u>\$ (44)</u>	<u>\$ 30</u>	<u>\$ 6</u>

In addition, certain investments held in infrastructure funds trade in a reported currency of Euro based dollars valued at \$53.539 million at June 30, 2012.

The following table summarizes the foreign currency risk by currency denomination for deposits and investments held by TRS as of June 30, 2012:

Table 3-16 (amounts expressed in thousands)

Currency Denomination	Foreign Currency	Foreign Equity Securities	Foreign Debt Obligations	Foreign Derivative Obligations	Total
Australian Dollar	\$ 950	\$ 238,983	\$ 68,687	\$ 32	\$ 308,652
Brazilian Real	359	173,462	53,694	1,044	228,559
British Pound Sterling	9,179	1,246,781	243,932	306	1,500,198
Canadian Dollar	3,289	331,407	135,291	-	469,987
Euro	38,026	1,337,645	281,550	1,569	1,658,790
Hong Kong Dollar	1,965	359,672	-	-	361,637
Indian Rupee	757	116,472	-	-	117,229
Indonesian Rupiah	600	71,510	56,741	-	128,851
Japanese Yen	10,658	1,005,441	61,442	(282)	1,077,259
Mexican Peso	2,234	37,106	94,235	41	133,616
New Taiwan Dollar	2,997	120,780	-	-	123,777
Singapore Dollar	281	108,275	15,734	-	124,290
South Korean Won	1,202	145,990	70,389	-	217,581
Swedish Krona	940	109,366	50,817	-	161,123
Swiss Franc	3,733	424,004	-	-	427,737
Thai Baht	682	126,530	-	-	127,212
Other currencies	4,070	400,138	230,780	-	634,988
Total deposits and investments subject to foreign currency risk	<u>\$ 81,922</u>	<u>\$ 6,353,562</u>	<u>\$ 1,363,292</u>	<u>\$ 2,710</u>	<u>\$ 7,801,486</u>

In addition, TRS has foreign currency investments in private equity with fair values totaling \$184.453 million (payable in Euros) and real estate with fair values totaling \$80.528 million (payable in Euros) and \$10.684 million (payable in British Pound Sterling).

The following table summarizes the foreign currency risk by currency denomination for deposits and investments held by SURS as of June 30, 2012:

Table 3-17 (amounts expressed in thousands)

Currency Denomination	Foreign Equity Securities	Foreign Debt Obligations	Foreign Currency and Pending Currency Transactions	Net Foreign Currency Forward Contracts	Other Foreign Derivative Obligations	Total
Australian Dollar	\$ 87,193	\$ 8,238	\$ (14,597)	\$ (417)	\$ (1)	\$ 80,416
British Pound Sterling	319,625	2,064	2,275	(2)	349	324,311
Canadian Dollar	93,170	24,165	(12,277)	(95)	2,626	107,589
Euro	376,206	47,412	(43,371)	(629)	3,977	383,595
Hong Kong Dollar	92,924	125	248	-	-	93,297
Japanese Yen	232,799	19,515	(10,367)	220	-	242,167
Singapore Dollar	41,148	5,725	228	-	-	47,101
Swiss Franc	130,460	-	532	(1)	-	130,991
Other currencies	174,861	20,077	4,023	548	1,147	200,656
Total investments subject to foreign currency risk	<u>\$ 1,548,386</u>	<u>\$ 127,321</u>	<u>\$ (73,306)</u>	<u>\$ (376)</u>	<u>\$ 8,098</u>	<u>\$ 1,610,123</u>

COMPONENT UNITS

The risk disclosures associated with the State's major component unit's deposits and investments are as follows:

ILLINOIS HOUSING DEVELOPMENT AUTHORITY ("IHDA")

Investments

Table 3-18 (amounts expressed in thousands)

Investment Type	Rating Standard & Poor's/Moody's	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Agency obligations	AA/Aaa	\$ 413,352	\$ 271,637	\$ 7,445	\$ -	\$ 134,270
Money market fund - sweep account	AA/Aaa	259,395	259,395	-	-	-
Total subject to credit risk		672,747	531,032	7,445	-	134,270
U.S. Treasury obligations		251,279	192,485	49,472	8,098	1,224
Repurchase agreements backed by U.S. Government obligations		26,951	20,454	-	300	6,197
Total subject to interest rate risk		950,977	\$ 743,971	\$ 56,917	\$ 8,398	\$ 141,691
Less cash equivalents		(279,848)				
Total investments		<u>\$ 671,129</u>				

Interest Rate Risk: IHDA's investment policy does not limit the maturity of investments as a means of managing its exposure to fair value losses arising from an increasing rate environment.

Credit Risk: IHDA is limited to investments as described in the State Statutes.

Concentration of Credit Risk: IHDA places no limit on the amount that may be invested in any one issuer. More than 5 percent of IHDA's investments are in Federal Home Loan Bank (\$143.950 million), Federal National Mortgage Association (\$86.614 million), and Federal Home Loan Mortgage Corporation (\$73.585 million).

ILLINOIS TOLL HIGHWAY AUTHORITY ("THA")

Investments

Table 3-19 (amounts expressed in thousands)

<u>Investment Type</u>	<u>Rating Standard & Poors/Moody's</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Repurchase agreements	AA/Aaa	\$ 15,025	\$ 15,025
Money market mutual funds	AAA/Aaa	380,390	380,390
Total subject to credit risk and interest rate risk		395,415	<u>\$ 395,415</u>
Less cash equivalents		(395,415)	
Total investments		<u>\$ -</u>	

Interest Rate Risk: As a means of limiting its exposure to fair value losses from rising interest rates, THA's investment policy requires the majority of THA investments to be less than one year maturity with no investment exceeding a ten-year maturity.

ILLINOIS STATE UNIVERSITY ("ISU")

Investments

University

Table 3-20 (amounts expressed in thousands)

<u>Investment Type</u>	<u>Rating Moody's/ Standard & Poor's</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 6 Years</u>
U.S. Agency obligations	Aaa/*	\$ 103,488	\$ 26,272	\$ 77,216
Illinois Public Treasurers' Investment Pool	Not Rated/AAA	12,174	12,174	-
Money market mutual funds	Not rated	4,762	4,762	-
Total subject to credit risk		120,424	43,208	77,216
U.S. Treasury obligations		52,751	15,807	36,944
Total subject to interest rate risk		173,175	<u>\$ 59,015</u>	<u>\$ 114,160</u>
Less cash equivalents		(16,936)		
Total investments of the University		156,239		
Investments of component units		85,165		
Total investments		<u>\$ 241,404</u>		

* \$58.779 million and \$44.709 million of U.S. Agency obligations were rated AAA and AA by Standard & Poor's, respectively.

Interest Rate Risk: ISU's investment policy does not limit the maturity of investments as a means of managing its exposure to fair value losses arising from an increasing rate environment.

Credit Risk: ISU is limited to investments as described in the State Statutes.

Concentration of Credit Risk: ISU places no limit on the amount that may be invested in any one issuer. More than 5 percent of ISU's investments are in Federal Farm Credit Bank (\$39.485 million), Federal National Mortgage Association (\$9.68 million), and Federal Home Loan Bank (\$49.1 million).

NORTHERN ILLINOIS UNIVERSITY ("NIU")

Investments

University

Table 3-21 (amounts expressed in thousands)

<u>Investment Type</u>	<u>Rating Standard & Poor's</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>
U.S. Agency obligations	AA	\$ 172,929	\$ 29,505	\$ 143,424
Money market mutual funds	AAA	10,117	10,117	-
Illinois Public Treasurers' Investment Pool	AAA	19,227	19,227	-
Total subject to credit risk		202,273	58,849	143,424
U.S. Treasury obligations		4,998	4,998	-
Total subject to interest rate risk		207,271	\$ 63,847	\$ 143,424
Less cash equivalents		(17,621)		
Total investments of the University		189,650		
Investments of component units		71,727		
Total investments		<u>\$ 261,377</u>		

Interest Rate Risk: NIU does not have a formal policy for interest rate risk.

Credit Risk: NIU is limited to investments as described in the State Statutes.

SOUTHERN ILLINOIS UNIVERSITY (“SIU”)**Investments****University**

Table 3-22 (amounts expressed in thousands)

Investment Type	Rating Standard and Poor's	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years
U.S. Agency obligations	AAA	\$ 74,811	\$ 21,897	\$33,913	\$19,001
Equity in Public Treasurers' Investment Pool	AAA	130,498	130,498	-	-
Total subject to credit risk		205,309	152,395	33,913	19,001
U.S. Treasury obligations		55,591	13,862	30,455	11,274
Total subject to interest rate risk		260,900	<u>\$ 166,257</u>	<u>\$64,368</u>	<u>\$30,275</u>
Common stock		44			
Less cash equivalents		<u>(130,498)</u>			
Total investments of the University		130,446			
Investments of component units		<u>165,949</u>			
Total investments		<u>\$296,395</u>			

Interest Rate Risk: Interest rate risk is mitigated by structuring SIU's portfolio so that securities mature to meet the SIU's cash requirements for ongoing operations. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with a minimum of \$40 million held in cash equivalents and \$65 to \$115 million held in the intermediate-term portfolio. However, circumstances may occur that cause the allocations to temporarily fall outside the prescribed ranges.

Credit Risk: Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issue or backer will not place an undue financial burden on SIU.

UNIVERSITY OF ILLINOIS (“U of I”)**Deposits**

Custodial Credit Risk: The carrying amount and bank balance of the U of I's deposits totaled \$224.915 million and \$238.354 million, respectively. Of the total bank balance of these deposits at June 30, 2012, \$6.35 million was not covered by federal depository insurance or by collateral held by an agent in the University's name.

Investments

Interest Rate Risk: The U of I employs multiple investment managers, of which each has specific maturity assignments related to operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested in money market instruments. Core operating funds are invested in longer maturity investments. Core operating funds investment manager's performance benchmarks are the Barclay's Capital 1-3 year Government Credit Bond Index and the Barclay's Capital Intermediate Aggregate Bond Index. The manager guidelines provide that the average weighted duration of the portfolio, including

option position, not vary from that of their respective performance benchmarks by more than +/- 20 percent. The U of I's investments and maturities at June 30, 2012 are illustrated below:

University

Table 3-23 (amounts expressed in thousands)

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Treasury obligations	\$ 268,785	\$ 76,749	\$ 147,560	\$ 39,349	\$ 5,127
U.S. Agency obligations	266,759	62,712	83,521	20,097	100,429
Commercial paper	13,838	13,838	-	-	-
Corporate bonds	274,782	29,359	216,606	25,368	3,449
Bond mutual funds	71,390	-	774	70,616	-
Money market mutual funds	545,456	545,456	-	-	-
Illinois Public Treasurers' Investment Pool	28,088	28,088	-	-	-
Non government mortgage-backed securities	66,836	-	-	643	66,193
Other asset-backed securities	85,706	-	67,616	9,617	8,473
Government bonds - non U.S.	35,797	6,049	24,004	3,913	1,831
Repurchase agreements	333	333	-	-	-
Total subject to interest rate risk	1,657,770	\$ 762,584	\$ 540,081	\$ 169,603	\$ 185,502
U.S. equities	32,513				
Foreign equity securities	37,251				
U.S. equity mutual funds	146,998				
Limited partnerships	19,560				
Real estate	75,875				
Deposits with maturities greater than 90 days at time of purchase	7,751				
Less cash equivalents	(592,313)				
Total investments of the University	1,385,405				
Investments of component units	1,379,784				
Total investments	\$ 2,765,189				

At June 30, 2012, the U of I's operating funds pool portfolio had an effective duration of 1.5 years.

Credit Risk: The U of I's policy requires that operating funds be invested in fixed income securities and money market instruments. Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations. Securities not covered by the investment grade standard are allowed if, in the manager's judgment, those instruments are of comparable credit quality. Securities which fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion. It is expected that the average credit quality of the operating funds will not fall below Standard & Poor's AA- or equivalent.

At June 30, 2012, the U of I debt securities and quality ratings are as shown in the charts below:

University

Table 3-24 (amounts expressed in thousands)

Investment Type	Fair Value	Standard and Poor's					Less Than BB or Not Rated
		AAA	AA	A	BBB	BB	
U.S. Agency obligations	\$ 266,759	\$ -	\$ 266,759	\$ -	\$ -	\$ -	\$ -
Commercial paper	13,838	13,838	-	-	-	-	-
Corporate bonds	274,782	9,637	60,782	140,469	53,422	2,178	8,294
Bond mutual funds	71,390	16,043	54,573	774	-	-	-
Money market mutual funds	545,456	541,698	3,758	-	-	-	-
Illinois Public Treasurers' Investment Pool	28,088	28,088	-	-	-	-	-
Non government mortgage-backed securities	66,836	45,834	42	2,717	2,347	882	15,014
Other asset-backed securities	85,706	74,925	4,290	1,803	-	97	4,591
Government bonds - non U.S.	35,797	9,132	18,307	3,728	935	-	3,695
Repurchase agreements	333	-	-	-	-	-	333
Total subject to credit risk	1,388,985	\$ 739,195	\$ 408,511	\$ 149,491	\$ 56,704	\$ 3,157	\$ 31,927
U.S. Treasury obligations	268,785						
Total fixed income securities	\$ 1,657,770						

Foreign Currency Risk: The U of I does not have a formal foreign risk policy. The U.S. dollar balances of the U of I's cash equivalents and investments exposed to foreign currency risk as of June 30, 2012 are categorized by currency below:

University

Table 3-25 (amounts expressed in thousands)

Currency denomination	Total	Cash Equivalents	Equity Investments
British Pound Sterling	\$ 7,518	\$ -	\$ 7,518
Euro	14,671	34	14,637
Hong Kong Dollar	3,083	-	3,083
Japanese Yen	3,390	-	3,390
Swiss Franc	3,163	-	3,163
All other currency	5,615	155	5,460
Total subject to foreign currency risk	\$ 37,440	\$ 189	\$ 37,251

SECURITIES LENDING TRANSACTIONS

The investment policies of certain State agencies and component units, principally the State Treasurer, ISBI, TRS, SURS, and the U of I, permit them to enter into securities lending transactions. In these transactions, the agency loans their securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The agencies' securities custodians are agents in lending the securities for collateral of at least 100% of the fair value of the securities. Collateral can consist of cash, cash equivalents, government securities, commercial paper or irrevocable letters of credit. Depending on their nature, securities on loan at year-end are presented as classified or unclassified in the preceding schedule of custodial credit risk. Generally, at year-end, agencies had no credit risk exposure to borrowers because the amounts they owed to borrowers exceeded the amounts borrowers owed the agencies. Policies regarding indemnification vary among agencies. Some

agencies' contracts with custodians require them to indemnify the agency if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or the borrowers fail to pay the agency for income distributions by the securities' issuers while the securities are out on loan. Other agencies have no provisions for indemnification.

Generally, securities loans can be terminated on demand by either the agency or the borrower, although the average term of the loans is approximately 1 to 15 days. Cash collateral is generally invested in the lending agents' short-term investment pools, which at year-end had weighted average maturities of approximately 2 to 32 days. The relationship between the maturities of the investment pools and the agencies' loans is affected by the maturities of the securities loans made by other entities that use the agents' pools, which the agencies cannot determine. The agencies cannot pledge or sell collateral securities received unless the borrower defaults.

The following table summarizes the fair value and related collateral value of outstanding loaned investment securities as of June 30, 2012.

Table 3-26 (amounts expressed in thousands)		
State Agency/Component Unit	Fair Value	Collateral Value
State Treasurer	\$4,551,829	\$4,556,511
Illinois State Board of Investments	115,655	120,557
Teachers' Retirement System	2,682,477	2,760,698
State Universities Retirement System	10,695	11,759
University of Illinois	89,659	91,319

4 TAXES RECEIVABLE

Taxes receivable for the primary government at June 30, 2012 are as follows:

Table 4-1 (amounts expressed in thousands)

	Governmental Activities			Business-type Activities	
	General Fund	Nonmajor Funds	Total	Unemployment Compensation Trust Fund	Fiduciary Funds
Income tax	\$ 1,078,798	\$ 110,486	\$ 1,189,284	\$ -	\$ -
Less allowance	(455,354)	(53,519)	(508,873)	-	-
Net income tax	623,444	56,967	680,411	-	-
Sales tax	564,436	229,885	794,321	-	-
Less allowance	(245,723)	(77,096)	(322,819)	-	-
Net sales tax	318,713	152,789	471,502	-	-
Motor fuel tax	-	143,928	143,928	-	-
Less allowance	-	(34,626)	(34,626)	-	-
Net motor fuel tax	-	109,302	109,302	-	-
Public utility tax	12,319	11,524	23,843	-	-
Less allowance	(5,788)	(1,396)	(7,184)	-	-
Net public utility tax	6,531	10,128	16,659	-	-
Other tax	424,153	43,206	467,359	-	-
Less allowance	(21,004)	(1,990)	(22,994)	-	-
Net other tax	403,149	41,216	444,365	-	-
Unemployment compensation tax	-	-	-	776,368	-
Less allowance	-	-	-	(150,701)	-
Net unemployment compensation tax	-	-	-	625,667	-
Taxes assessed by other governments	-	-	-	-	209,205
Total taxes receivable, net	\$ 1,351,837	\$ 370,402	\$ 1,722,239	\$ 625,667	\$ 209,205

5 INTERFUND BALANCES AND ACTIVITY

Interfund due to and due from balances at June 30, 2012 consisted of the following:

Table 5-1 (amounts expressed in thousands)

Due From	Due To										Total
	General Fund	Road Fund	State Construction Account	Nonmajor Governmental Funds	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ -	\$ 179	\$ -	\$ 257,918	\$ -	\$ 78	\$ 18	\$ 18,605	\$ 6,039	\$ -	\$ 282,837
Road Fund	20	-	-	54,865	-	-	-	-	-	-	54,885
State Construction Account	-	-	-	34,705	-	-	-	-	-	-	34,705
Nonmajor Governmental Funds	860,106	2,354	101	1,399,872	1,386	4,979	-	4	26	1	2,268,829
Unemployment Compensation Trust Fund	14,103	-	-	31	-	-	-	-	-	-	14,134
Nonmajor Enterprise Funds	-	-	-	91	-	-	175	7,568	-	232	8,066
Internal Service Funds	1,706,961	179,821	-	75,582	-	19	-	754	21,055	4,111	1,988,303
Fiduciary Funds	598,188	-	-	20,775	-	-	-	-	248	95	619,306
Total	\$ 3,179,378	\$ 182,354	\$ 101	\$ 1,843,839	\$ 1,386	\$ 5,076	\$ 193	\$ 26,931	\$ 27,368	\$ 4,439	\$ 5,271,065

Interfund due to and due from balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Because of resource constraints in the current fiscal year, the payment time of transactions from the General Revenue Account of the General Fund was significantly slower than in previous fiscal years.

Interfund balances include \$1.103 billion of deferred expense related to a payment of approximately \$1.305 billion from the Railsplitter Tobacco Settlement Authority, a blended component unit, to the Tobacco Settlement Recovery Fund, a nonmajor governmental fund. This expense will be amortized over the life of the related bonds, as summarized in Note 11. All other interfund balances are expected to be repaid within one year.

Interfund transfers activity at June 30, 2012 consisted of the following:

Transfers-In	Transfers-Out							Total
	General Fund	Road Fund	Nonmajor Governmental Funds	Unemployment Compensation Trust Fund	Prepaid Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 875,442	\$ -	\$ -	\$ 758,238	\$ 73	\$ 1,633,753
Road Fund	21,634	-	665	-	-	-	-	22,299
State Construction Account	-	-	392	-	-	-	-	392
Nonmajor Governmental Funds	2,872,678	339,707	1,207,594	15,638	27	7,044	-	4,442,688
Unemployment Compensation Trust Fund	-	-	-	-	-	18,590	-	18,590
Water Revolving Fund	-	-	2,532	-	-	-	-	2,532
Nonmajor Enterprise Funds	-	-	-	-	-	30,641	-	30,641
Internal Service Funds	14,100	-	-	-	-	-	-	14,100
Total	\$ 2,908,412	\$ 339,707	\$ 2,086,625	\$ 15,638	\$ 27	\$ 814,513	\$ 73	\$ 6,164,995

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts to debt service funds as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

INTERENTITY

The due from amounts for the State of Illinois from its component units, as of June 30, 2012, consisted of the following:

Due To	Due From								Total
	Illinois Housing Development Authority	Toll Highway Authority	Nonmajor Authorities	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois	Nonmajor Universities	
General Fund	\$ 121	\$ -	\$ -	\$ -	\$ 101	\$ 312	\$ 3	\$ -	\$ 537
Road Fund	-	59,561	-	-	-	-	14	-	59,575
Nonmajor Governmental Funds	322,894	-	17,007	-	-	-	278	19	340,198
Unemployment Compensation Trust Fund	-	-	-	-	-	-	191	48	239
Water Revolving Fund	-	-	134	-	-	-	-	-	134
Nonmajor Enterprise Funds	-	-	8	-	-	-	-	-	8
Internal Service Funds	-	3,386	-	-	-	-	30,039	249	33,674
Fiduciary Funds	-	-	3	-	-	-	1,960	92	2,055
Total	\$ 323,015	\$ 62,947	* \$ 17,152	\$ -	\$ 101	\$ 312	\$ 32,485	\$ 408	\$ 436,420

* The amounts due to the Toll Highway Authority at December 31, 2011, its fiscal year-end, were \$59,905.

The due to amounts for the State of Illinois to its component units, as of June 30, 2012, consisted of the following:

Due From	Due To								
	Illinois Housing Development Authority	Toll Highway Authority	Nonmajor Authorities	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois	Nonmajor Universities	Total
General Fund	\$ 62	\$ 13	\$ 13,203	\$ 22,392	\$ 24,428	\$ 68,260	\$ 277,214	\$ 44,759	\$ 450,331
Road Fund	-	114,716	9	-	951	685	2,782	-	119,143
Nonmajor Governmental Funds	-	10	364	2,006	2,088	3,486	36,336	10,552	54,842
Water Revolving Fund	-	-	49,137	7	4	-	35	7	49,190
Prepaid Tuition Fund	-	-	-	85	-	-	78	17	180
Nonmajor Enterprise Funds	-	-	-	696	876	765	287	4,437	7,061
Internal Service Funds	-	1	-	751	12	-	197	1	962
Fiduciary Funds	-	13	51	-	-	-	-	-	64
Total	\$ 62	\$ 114,753	* \$ 62,764	\$ 25,937	\$ 28,359	\$ 73,196	\$ 316,929	\$ 59,773	\$ 681,773

* The amounts due from the Toll Highway Authority at December 31, 2011, its fiscal year-end, were \$114,692.

Transactions between the State of Illinois and its component units consist mostly of appropriations for general administrative expenses and capital projects. In addition, most of the State's universities receive pass-through and other grants from the State.

6 LOANS AND NOTES RECEIVABLE

Loans and notes receivable at June 30, 2012, consisted of the following:

Table 6-1 (amounts expressed in thousands)

	Primary Government						
	Governmental Activities			Business-type Activities			
	General Fund	Nonmajor Governmental Funds	Total	Water Revolving Fund	Nonmajor Enterprise Funds	Total	Fiduciary Funds
Student loan program	\$ 21,803	\$ 1,732	\$ 23,535	\$ -	\$ 852,113	\$ 852,113	\$ 92
Local government infrastructure	-	-	-	2,327,946	-	2,327,946	-
Port district construction	14,968	347	15,315	-	-	-	-
Other	639	67,653	68,292	-	-	-	-
	37,410	69,732	107,142	2,327,946	852,113	3,180,059	92
Less: Allowance for uncollectible accounts	29,543	724	30,267	-	42,703	42,703	20
Total	7,867	69,008	76,875	2,327,946	809,410	3,137,356	72
Less: Amounts representing restricted assets	-	-	-	199,559	809,410	1,008,969	-
Loans and notes receivable, net	<u>\$ 7,867</u>	<u>\$ 69,008</u>	<u>\$ 76,875</u>	<u>\$ 2,128,387</u>	<u>\$ -</u>	<u>\$ 2,128,387</u>	<u>\$ 72</u>

Table 6-2 (amounts expressed in thousands)

	Major Component Units				
	Illinois Housing Development Authority	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois
Mortgage loan program	\$ 1,765,485	\$ -	\$ -	\$ -	\$ -
Student loan program	-	10,127	8,794	20,598	64,903
Other	-	-	-	73	66
	1,765,485	10,127	8,794	20,671	64,969
Less: Allowance for uncollectible accounts	68,660	989	76	3,071	2,723
Loans and notes receivable, net	<u>\$ 1,696,825</u>	<u>\$ 9,138</u>	<u>\$ 8,718</u>	<u>\$ 17,600</u>	<u>\$ 62,246</u>

7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

Table 7-1 (amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Primary Government					
Governmental activities					
Capital assets not being depreciated:					
Land and land improvements	\$ 2,917,939	\$ 125,140	\$ 19,875	\$ 8	\$ 3,023,212
Intangible assets	119,345	21,922	-	(31,348)	109,919
Historical treasures and works of art	38,449	5	-	-	38,454
Construction in progress	45,112	91,648	-	(65,208)	71,552
Total capital assets not being depreciated	3,120,845	238,715	19,875	(96,548)	3,243,137
Capital assets being depreciated:					
Infrastructure	25,174,267	1,640,492	978,177	-	25,836,582
Site improvements	779,960	2,341	178	8,164	790,287
Buildings and building improvements	4,424,063	973	1,217	45,513	4,469,332
Equipment	1,115,256	77,169	58,456	(15,475)	1,118,494
Historical treasures and works of art	1,100	-	-	-	1,100
Intangible assets	52,558	6,984	1,005	31,348	89,885
Total capital assets being depreciated	31,547,204	1,727,959	1,039,033	69,550	32,305,680
Less accumulated depreciation for:					
Infrastructure	10,881,653	1,049,484	977,889	-	10,953,248
Site improvements	440,790	23,628	8	(768)	463,642
Buildings and building improvements	2,274,550	109,728	35	(9,204)	2,375,039
Equipment	898,818	55,646	56,909	(18,546)	879,009
Historical treasures and works of art	1,100	-	-	-	1,100
Intangible assets	12,836	4,498	1,005	1,512	17,841
Total accumulated depreciation	14,509,747	1,242,984	1,035,846	(27,006)	14,689,879
Total capital assets being depreciated, net	17,037,457	484,975	3,187	96,556	17,615,801
Governmental activities capital assets, net	\$ 20,158,302	\$ 723,690	\$ 23,062	\$ 8	\$ 20,858,938
Depreciation expense for governmental activities was charged to functions as follows:					
Health and social services					\$ 33,504
Education					3,993
General government					19,629
Employment and economic development					10,311
Transportation					1,070,775
Public protection and justice					55,895
Environmental and business regulation					24,895
Internal service funds					23,982
Total					\$ 1,242,984

Table 7-2 (amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Primary Government					
Business-type activities					
Water Revolving Fund:					
Capital assets being depreciated:					
Equipment	\$ 408	\$ 21	\$ 5	\$ (10)	\$ 414
Total capital assets being depreciated	408	21	5	(10)	414
Less accumulated depreciation for:					
Equipment	309	59	4	(6)	358
Total accumulated depreciation	309	59	4	(6)	358
Total capital assets being depreciated, net	99	(38)	1	(4)	56
Water Revolving Fund capital assets, net	99	(38)	1	(4)	56
Nonmajor enterprise funds:					
Capital assets not being depreciated:					
Land and land improvements	190	-	-	-	190
Intangible assets	-	286	-	-	286
Total capital assets not being depreciated	190	286	-	-	476
Capital assets being depreciated:					
Buildings and building improvements	1,714	-	-	-	1,714
Equipment	7,844	452	500	(58)	7,738
Intangible assets	569	872	-	-	1,441
Total capital assets being depreciated	10,127	1,324	500	(58)	10,893
Less accumulated depreciation for:					
Buildings and building improvements	573	117	-	-	690
Equipment	5,949	593	498	(54)	5,990
Intangible assets	-	72	-	-	72
Total accumulated depreciation	6,522	782	498	(54)	6,752
Total capital assets being depreciated, net	3,605	542	2	(4)	4,141
Nonmajor enterprise funds capital assets, net	3,795	828	2	(4)	4,617
Total Business-type activities					
Capital assets not being depreciated	190	286	-	-	476
Capital assets being depreciated, net	3,704	504	3	(8)	4,197
Business-type activities capital assets, net	<u>\$ 3,894</u>	<u>\$ 790</u>	<u>\$ 3</u>	<u>\$ (8)</u>	<u>\$ 4,673</u>
Depreciation expense for business-type activities was charged to functions as follows:					
Water revolving					\$ 59
Lottery					107
Other					675
Total					<u>\$ 841</u>

Table 7-3 (amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Fiduciary Funds					
Capital assets not being depreciated:					
Land and land improvements	\$ 1,724	\$ -	\$ -	\$ (3)	\$ 1,721
Intangible assets	-	-	-	3	3
Total capital assets not being depreciated	1,724	-	-	-	1,724
Capital assets being depreciated:					
Site improvements	418	671	-	-	1,089
Buildings and building improvements	17,564	43	-	-	17,607
Equipment	20,496	726	338	(3)	20,881
Intangible assets	852	205	-	-	1,057
Total capital assets being depreciated	39,330	1,645	338	(3)	40,634
Less accumulated depreciation for:					
Site improvements	374	11	-	-	385
Buildings and building improvements	8,984	660	-	-	9,644
Equipment	18,859	657	336	(3)	19,177
Intangible assets	160	147	-	-	307
Total accumulated depreciation	28,377	1,475	336	(3)	29,513
Total capital assets being depreciated, net	10,953	170	2	-	11,121
Fiduciary funds capital assets, net	\$ 12,677	\$ 170	\$ 2	\$ -	\$ 12,845

Table 7-4 (amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Major Component Units					
Illinois Housing Development Authority:					
Capital assets not being depreciated:					
Land and land improvements	\$ -	\$ 2,600	\$ -	\$ -	\$ 2,600
Total capital assets not being depreciated	-	2,600	-	-	2,600
Capital assets being depreciated:					
Buildings and building improvements	41,225	3,889	-	-	45,114
Equipment	189	209	5	-	393
Intangible assets	1,537	58	-	-	1,595
Total capital assets being depreciated	42,951	4,156	5	-	47,102
Less accumulated depreciation for:					
Buildings and building improvements	14,211	873	-	-	15,084
Equipment	156	29	5	-	180
Intangible assets	1,447	43	-	-	1,490
Total accumulated depreciation	15,814	945	5	-	16,754
Total capital assets being depreciated, net	27,137	3,211	-	-	30,348
Capital assets, net	\$ 27,137	\$ 5,811	\$ -	\$ -	\$ 32,948
Toll Highway Authority:					
Capital assets not being depreciated:					
Land and land improvements	\$ 313,258	\$ 1,871	\$ -	\$ -	\$ 315,129
Construction in progress	74,417	114,540	-	(113,079)	75,878
Total capital assets not being depreciated	387,675	116,411	-	(113,079)	391,007
Capital assets being depreciated:					
Infrastructure	6,803,141	32,919	70,997	113,079	6,878,142
Buildings and building improvements	47,127	4,939	-	-	52,066
Equipment	201,812	14,799	7,593	-	209,018
Total capital assets being depreciated	7,052,080	52,657	78,590	113,079	7,139,226
Less accumulated depreciation for:					
Infrastructure	2,021,829	303,988	70,997	-	2,254,820
Buildings and building improvements	34,777	2,531	-	-	37,308
Equipment	119,648	11,647	5,439	-	125,856
Total accumulated depreciation	2,176,254	318,166	76,436	-	2,417,984
Total capital assets being depreciated, net	4,875,826	(265,509)	2,154	113,079	4,721,242
Capital assets, net	\$ 5,263,501	\$ (149,098)	\$ 2,154	\$ -	\$ 5,112,249

Table 7-4 (continued)
(amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Major Component Units, continued					
Illinois State University:					
Capital assets not being depreciated:					
Land and land improvements	\$ 15,138	\$ -	\$ -	\$ 331	\$ 15,469
Intangible assets	10,112	-	-	(10,112)	-
Construction in progress	16,588	29,878	-	(1,631)	44,835
Total capital assets not being depreciated	41,838	29,878	-	(11,412)	60,304
Capital assets being depreciated:					
Infrastructure	12,683	-	-	-	12,683
Site improvements	35,759	-	-	-	35,759
Buildings and building improvements	517,530	1,270	-	1,300	520,100
Equipment	157,095	10,078	2,460	10,112	174,825
Total capital assets being depreciated	723,067	11,348	2,460	11,412	743,367
Less accumulated depreciation for:					
Infrastructure	6,383	311	-	-	6,694
Site improvements	11,173	1,157	-	-	12,330
Buildings and building improvements	194,383	11,144	-	-	205,527
Equipment	122,655	9,994	2,375	-	130,274
Total accumulated depreciation	334,594	22,606	2,375	-	354,825
Total capital assets being depreciated, net	388,473	(11,258)	85	11,412	388,542
Capital assets, net	\$ 430,311	\$ 18,620	\$ 85	\$ -	\$ 448,846
Northern Illinois University:					
Capital assets not being depreciated:					
Land and land improvements	\$ 23,110	\$ -	\$ -	\$ -	\$ 23,110
Historic treasures and works of art	332	-	-	-	332
Construction in progress	48,301	127,064	67	(33,386)	141,912
Total capital assets not being depreciated	71,743	127,064	67	(33,386)	165,354
Capital assets being depreciated:					
Site improvements	66,506	-	-	3,185	69,691
Buildings and building improvements	473,095	-	1	30,201	503,295
Equipment	179,925	6,205	1,877	450	184,703
Intangible assets	4,270	-	-	(450)	3,820
Total capital assets being depreciated	723,796	6,205	1,878	33,386	761,509
Less accumulated depreciation for:					
Site improvements	37,213	2,407	-	-	39,620
Buildings and building improvements	251,150	11,397	-	-	262,547
Equipment	156,938	7,328	1,565	-	162,701
Intangible assets	2,292	764	-	-	3,056
Total accumulated depreciation	447,593	21,896	1,565	-	467,924
Total capital assets being depreciated, net	276,203	(15,691)	313	33,386	293,585
Capital assets, net	\$ 347,946	\$ 111,373	\$ 380	\$ -	\$ 458,939

Table 7-4 (continued)
(amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Major Component Units, continued					
Southern Illinois University:					
Capital assets not being depreciated:					
Land and land improvements	\$ 21,860	\$ 97	\$ 30	\$ -	\$ 21,927
Historic treasures and works of art	10,843	638	-	-	11,481
Construction in progress	55,521	102,296	594	(13,236)	143,987
Total capital assets not being depreciated	88,224	103,031	624	(13,236)	177,395
Capital assets being depreciated:					
Infrastructure	8,608	-	-	-	8,608
Site improvements	62,084	1,956	981	1,789	64,848
Buildings and building improvements	999,997	2,861	7,224	8,257	1,003,891
Equipment	333,509	14,349	5,318	3,190	345,730
Intangible assets	7,341	-	-	-	7,341
Total capital assets being depreciated	1,411,539	19,166	13,523	13,236	1,430,418
Less accumulated depreciation for:					
Infrastructure	8,608	-	-	-	8,608
Site improvements	37,494	2,414	981	-	38,927
Buildings and building improvements	451,643	26,441	6,434	-	471,650
Equipment	278,159	17,267	4,865	-	290,561
Intangible assets	1,816	773	-	-	2,589
Total accumulated depreciation	777,720	46,895	12,280	-	812,335
Total capital assets being depreciated, net	633,819	(27,729)	1,243	13,236	618,083
Capital assets, net	\$ 722,043	\$ 75,302	\$ 1,867	\$ -	\$ 795,478
University of Illinois:					
Capital assets not being depreciated:					
Land and land improvements	\$ 134,997	\$ 1,246	\$ 20	\$ -	\$ 136,223
Intangible assets	130	-	-	-	130
Historic treasures and works of art	20,434	1,091	205	-	21,320
Construction in progress	122,123	202,828	-	(156,568)	168,383
Total capital assets not being depreciated	277,684	205,165	225	(156,568)	326,056
Capital assets being depreciated:					
Site improvements	675,611	-	-	2,841	678,452
Buildings and building improvements	3,546,366	293	5,445	148,310	3,689,524
Equipment	1,543,164	108,675	71,456	2,127	1,582,510
Intangible assets	165,909	1,910	-	3,290	171,109
Total capital assets being depreciated	5,931,050	110,878	76,901	156,568	6,121,595
Less accumulated depreciation for:					
Site improvements	326,434	23,238	-	-	349,672
Buildings and building improvements	1,242,581	88,992	4,139	-	1,327,434
Equipment	1,204,916	85,582	63,299	(143)	1,227,056
Intangible assets	125,686	16,349	-	143	142,178
Total accumulated depreciation	2,899,617	214,161	67,438	-	3,046,340
Total capital assets being depreciated, net	3,031,433	(103,283)	9,463	156,568	3,075,255
Capital assets, net	\$ 3,309,117	\$ 101,882	\$ 9,688	\$ -	\$ 3,401,311

8 CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term obligations for governmental activities for the year ended June 30, 2012 are summarized below:

Table 8-1 (amounts expressed in thousands)

	Balance July 1, 2011, as restated	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Primary Government					
Governmental Activities					
Bonds payable:					
General obligation bonds (note 9)	\$ 28,016,441	\$ 3,196,212 *	\$ (3,419,673)	\$ 27,792,980	\$ 1,604,789 ^
Special obligation bonds (note 10)	2,313,609	728,288 **	(190,145)	2,851,752	221,761 ^^
Revenue bonds (note 11)	1,503,460	-	(59,375)	1,444,085	63,550
Deferred amount on refundings:					
General obligation bonds (note 9)	(77,404)	(28,589)	14,855	(91,138)	16,052
Special obligation bonds (note 10)	(14,791)	-	2,903	(11,888)	2,698
Unamortized premiums:					
General obligation bonds (note 9)	319,263	233,092	(110,409)	441,946	58,734
Special obligation bonds (note 10)	95,779	12,965	(14,081)	94,663	13,559
Revenue bonds (note 11)	6,386	-	(377)	6,009	-
Unamortized (discounts):					
General obligation bonds (note 9)	(1,933)	-	125	(1,808)	-
Total bonds payable	32,160,810	4,141,968	(3,776,177)	32,526,601	1,981,143
Other long-term obligations:					
Capital lease obligations (note 13A)	6,632	2,792	(1,776)	7,648	1,631
Installment purchases (note 13C)	8,109	-	(4,697)	3,412	2,257
Certificates of participation (note 13B)	66,870	-	(8,680)	58,190	7,325
Workers compensation (note 19)	591,295	115,785	(143,200)	563,880	135,426
Auto liability (note 19)	12,491	4,702	(3,638)	13,555	7,742
Pollution remediation obligation (note 13D)	36,300	1,500	-	37,800	2,600
Compensated absences (note 1L)	468,949	350,407	(389,131)	430,225	46,451
Net pension obligation (note 16)	24,026,161	2,157,524	-	26,183,685	-
Net other postemployment benefits obligation (note 17)	5,614,025	1,686,054	-	7,300,079	-
Other obligations (note 13G)	41	237	(41)	237	237
Total other long-term obligations	30,830,873	4,319,001	(551,163)	34,598,711	203,669
Total Governmental Activities	\$ 62,991,683	\$ 8,460,969	\$ (4,327,340)	\$ 67,125,312	\$ 2,184,812

* Includes \$23,472 of interest accreted on capital appreciation debt.
 ** Includes \$3,248 of interest accreted on capital appreciation debt.
 ^ \$591 of interest will be accreted on capital appreciation debt in the next year.
 ^^ \$714 of interest will be accreted on capital appreciation debt in the next year.

The liabilities for governmental activities of the primary government have been liquidated in prior years as follows:

Compensated absences, certificates of participation, and capital lease obligations (including installment purchases) – by the applicable governmental and internal service funds that accounted for the salaries and wages of the related employees or incurred the obligation.

Workers compensation – by charges from the Workers' Compensation Revolving Fund, an internal service fund, to the applicable fund that would have paid the salaries and wages of the related employees.

Net pension obligation – by the applicable funds that accounted for the salaries and wages of the related employees who are members of the General Assembly Retirement System, the Judges' Retirement System or the State Employees' Retirement System. In addition, appropriations from

the General Fund have been used to liquidate amounts for employees who are members of the Teachers' Retirement System or the State Universities Retirement System.

Net other postemployment benefit obligation – by the applicable funds that accounted for the salaries and wages of the related employees who are members of the State's group insurance programs. In addition, appropriations from the General Fund are used to liquidate amounts for employees of the State's university component units.

Other – by the applicable governmental funds that incurred the obligation as discussed in Note 13.

Changes in long-term obligations for business-type activities for the year ended June 30, 2012 are summarized below:

Table 8-2 (amounts expressed in thousands)

	Balance July 1, 2011, as restated	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Primary Government					
Business-type Activities					
Water Revolving Fund:					
Other long-term obligations:					
Capital lease obligations (note 13A)	\$ 4	\$ -	\$ (4)	\$ -	\$ -
Compensated absences (note 1L)	1,404	767	(581)	1,590	101
Total Water Revolving Fund	<u>1,408</u>	<u>767</u>	<u>(585)</u>	<u>1,590</u>	<u>101</u>
Prepaid Tuition Fund:					
Tuition and related accretion payable (note 13F)	1,392,329	334,903	(132,575)	1,594,657	145,583
Compensated absences (note 1L)	91	67	(93)	65	16
Total Prepaid Tuition Fund	<u>1,392,420</u>	<u>334,970</u>	<u>(132,668)</u>	<u>1,594,722</u>	<u>145,599</u>
Nonmajor Enterprise Funds:					
Bonds payable:					
Revenue bonds (note 11)	644,645	-	(109,497)	535,148	-
Deferred amount on refundings (note 11)	67,007	-	(4,418)	62,589	4,418
Unamortized (discounts) (note 11)	(7,368)	-	335	(7,033)	(265)
Total bonds payable	<u>704,284</u>	<u>-</u>	<u>(113,580)</u>	<u>590,704</u>	<u>4,153</u>
Other long-term obligations:					
Lottery prize awards (note 13E)	332,304	19,810	(51,395)	300,719	57,110
Compensated absences (note 1L)	6,756	3,195	(3,882)	6,069	472
Other obligations (note 13G)	8,993	3,807	(4,382)	8,418	1,531
Total Nonmajor Enterprise Funds	<u>1,052,337</u>	<u>26,812</u>	<u>(173,239)</u>	<u>905,910</u>	<u>63,266</u>
Total Business-type Activities	<u>\$ 2,446,165</u>	<u>\$ 362,549</u>	<u>\$ (306,492)</u>	<u>\$ 2,502,222</u>	<u>\$ 208,966</u>

Changes in long-term obligations for fiduciary funds for the year ended June 30, 2012 are summarized below:

Table 8-3 (amounts expressed in thousands)

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Fiduciary Funds					
Capital lease obligations (note 13A)	\$ 27	\$ -	\$ (12)	\$ 15	\$ 13
Compensated absences (note 1L)	3,887	1,937	(1,764)	4,060	59
Total Fiduciary Funds	<u>\$ 3,914</u>	<u>\$ 1,937</u>	<u>\$ (1,776)</u>	<u>\$ 4,075</u>	<u>\$ 72</u>

Changes in long-term obligations for component units for the year ended June 30, 2012 are summarized below:

Table 8-4 (amounts expressed in thousands)

	Balance July 1, 2011, as restated	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Major Component Units					
Illinois Housing Development Authority:					
Bonds and notes payable:					
Revenue bonds (note 11)	\$ 1,550,268	\$ 189,190	\$ (267,187)	\$ 1,472,271	\$ 238,213
Notes payable (note 12)	7,900	27,670	(7,900)	27,670	5,000
Deferred amount on refundings (note 11)	(5,647)	-	1,202	(4,445)	(1,223)
Unamortized premiums (note 11)	1,210	1,144	(220)	2,134	252
Unamortized (discounts) (note 11)	(132)	(975)	14	(1,093)	(23)
Total bonds and notes payable	1,553,599	217,029	(274,091)	1,496,537	242,219
Other long-term obligations:					
Compensated absences (note 1L)	546	1,573	(1,426)	693	693
Other obligations (note 13G)	14,885	-	-	14,885	-
Total other long-term obligations	15,431	1,573	(1,426)	15,578	693
Total Illinois Housing Development Authority	\$ 1,569,030	\$ 218,602	\$ (275,517)	\$ 1,512,115	\$ 242,912
Illinois State Toll Highway Authority:					
Bonds payable:					
Revenue bonds (note 11)	\$ 4,066,675	\$ -	\$ (49,910)	\$ 4,016,765	\$ 176,140
Deferred amount on refundings (note 11)	(58,351)	-	4,458	(53,893)	(4,458)
Unamortized premiums (note 11)	66,925	-	(5,497)	61,428	5,009
Unamortized (discounts) (note 11)	(8,322)	-	378	(7,944)	(378)
Total bonds payable	4,066,927	-	(50,571)	4,016,356	176,313
Other long-term obligations:					
Accrued self-insurance (note 19)	15,066	3,572	(5,260)	13,378	13,378
Compensated absences (note 1L)	9,683	5,043	(4,745)	9,981	4,691
Other obligations (note 13G)	249	-	(31)	218	218
Total other long-term obligations	24,998	8,615	(10,036)	23,577	18,287
Total Illinois State Toll Highway Authority	\$ 4,091,925	\$ 8,615	\$ (60,607)	\$ 4,039,933	\$ 194,600
Illinois State University:					
Bonds payable:					
Revenue bonds (note 11)	\$ 98,437	\$ 21,940	\$ (6,190)	\$ 114,187	\$ 6,330
Unamortized premiums (note 11)	172	550	(56)	666	84
Unamortized (discounts) (note 11)	(776)	-	50	(726)	(47)
Total bonds payable	97,833	22,490	(6,196)	114,127	6,367
Other long-term obligations:					
Capital lease obligations (note 13A)	-	2,410	(457)	1,953	469
Certificates of participation (note 13B)	35,550	-	(1,200)	34,350	1,515
Unamortized premiums (note 13B)	61	-	(3)	58	3
Unamortized (discounts) (note 13B)	(79)	-	5	(74)	(5)
Installment purchase obligations (note 13C)	3,122	-	(69)	3,053	74
Compensated absences (note 1L)	17,057	1,896	(1,691)	17,262	1,728
Other obligations (note 13G)	217	21	(13)	225	22
Total other long-term obligations	55,928	4,327	(3,428)	56,827	3,806
Total Illinois State University	\$ 153,761	\$ 26,817	\$ (9,624)	\$ 170,954	\$ 10,173

Table 8-4 (continued)
(amounts expressed in thousands)

	Balance July 1, 2011, as restated	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Major Component Units, continued					
Northern Illinois University:					
Bonds payable:					
Revenue bonds (note 11)	\$ 209,620	\$ 965	\$ (6,930)	\$ 203,655	\$ 6,178 [^]
Deferred amount on refundings (note 11)	(1,195)	-	66	(1,129)	(66)
Total bonds payable	208,425	965	(6,864)	202,526	6,112
Other long-term obligations:					
Capital lease obligations (note 13A)	20,462	113,155	(285)	133,332	296
Certificates of participation (note 13B)	3,755	-	(435)	3,320	465
Compensated absences (note 1L)	20,942	1,119	(3,415)	18,646	3,415
Other obligations (note 13G)	34,866	19,112	(20,498)	33,480	2,455
Total other long-term obligations	80,025	133,386	(24,633)	188,778	6,631
Total Northern Illinois University	\$ 288,450	\$ 134,351	\$ (31,497)	\$ 391,304	\$ 12,743
Southern Illinois University:					
Bonds payable:					
Revenue bonds (note 11)	\$ 281,279	\$ 34,136	\$ (19,790)	\$ 295,625	\$ 17,299 ^{^^}
Deferred amount on refundings (note 11)	(1,360)	(9)	176	(1,193)	(121)
Unamortized premiums (note 11)	5,569	274	(434)	5,409	302
Total bonds payable	285,488	34,401	(20,048)	299,841	17,480
Other long-term obligations:					
Capital lease obligations (note 13A)	210	1,485	(438)	1,257	293
Certificates of participation (note 13B)	20,045	-	(2,105)	17,940	2,190
Unamortized (discounts) (note 13B)	(58)	-	4	(54)	(5)
Accrued self-insurance (note 19)	18,430	13,665	(9,834)	22,261	14,433
Compensated absences (note 1L)	49,602	5,014	(7,049)	47,567	4,956
Other obligations (note 13G)	4,288	79	(451)	3,916	501
Total other long-term obligations	92,517	20,243	(19,873)	92,887	22,368
Total Southern Illinois University	\$ 378,005	\$ 54,644	\$ (39,921)	\$ 392,728	\$ 39,848
University of Illinois:					
Bonds payable:					
Revenue bonds (note 11)	\$ 1,080,361	\$ 174,221	\$ (134,150)	\$ 1,120,432	\$ 41,251 ^{^^^}
Deferred amount on refundings (note 11)	(21,779)	(406)	1,724	(20,461)	(1,791)
Unamortized premiums (note 11)	34,185	2,202	(1,568)	34,819	1,606
Total bonds payable	1,092,767	176,017	(133,994)	1,134,790	41,066
Other long-term obligations:					
Capital lease obligations (note 13A)	7,474	4,913	(4,868)	7,519	3,180
Certificates of participation (note 13B)	459,150	-	(19,355)	439,795	143,855
Deferred amount on refundings (note 13B)	(6,630)	-	651	(5,979)	(5,872)
Unamortized premiums (note 13B)	11,754	-	(1,441)	10,313	1,403
Accrued self-insurance (note 19)	244,494	60,338	(59,122)	245,710	60,933
Compensated absences (note 1L)	203,070	23,029	(23,645)	202,454	24,020
Other obligations (note 13G)	76,812	6,869	(11,613)	72,068	8,594
Total other long-term obligations	996,124	95,149	(119,393)	971,880	236,113
Total University of Illinois	\$ 2,088,891	\$ 271,166	\$ (253,387)	\$ 2,106,670	\$ 277,179

[^] \$117 of interest will be accreted on capital appreciation debt in the next year.

^{^^} \$321 of interest will be accreted on capital appreciation debt in the next year.

^{^^^} \$849 of interest will be accreted on capital appreciation debt in the next year.

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9 GENERAL OBLIGATION BONDS

General obligation bonds outstanding and bonds authorized but unissued at June 30, 2012 are as follows:

Table 9-1 (amounts expressed in thousands)

Governmental Activities

		Original Issue Amount	Final Maturity	Interest Rate Ranges	Anti- Pollution	Capital Development	Coal Development	Pension
Multiple Purpose Series:								
September	1991	209,793	8/1/2012	Accreted*	189	12,448	344	-
October	1992	249,991	8/1/2013	Accreted*	629	30,544	499	-
October	1993	169,399	8/1/2015	Accreted*	3,475	13,683	205	-
October	1994	209,816	8/1/2016	Accreted*	5,237	41,859	1,521	-
November	1997	168,330	8/1/2019	Accreted*	-	92,376	-	-
November	1998	122,334	8/1/2020	Accreted*	-	42,365	-	-
October	2000	101,855	8/1/2022	Accreted*	-	23,456	-	-
April	2001	112,810	4/1/2016	5.375%	-	-	-	-
May	2001	300,000	5/1/2026	5.5%	-	24,167	500	-
August	2001	375,000	8/1/2026	5.5%	1,705	18,759	853	-
November	2001	375,000	11/1/2026	6.0%	1,413	16,847	-	-
December	2001	318,775	10/1/2014	5.375%	-	-	-	-
April	2002	79,695	4/1/2013	5.5%	-	-	-	-
August	2002	564,900	8/1/2019	5.5%	-	-	-	-
October	2002	395,000	10/1/2027	4.75% to 5.125%	-	16,203	-	-
October	2002	62,079	8/1/2024	Accreted*	2,568	7,744	1,027	-
December	2002	400,000	12/1/2027	5.25%	248	9,225	112	-
June	2003	460,000	6/1/2028	4.25% to 5.0%	3,720	38,435	-	-
June	2003	10,000,000	6/1/2033	3.85% to 5.1%	-	-	-	9,700,000
A-October	2003	363,000	10/1/2020	5.0% to 5.25%	1,939	10,157	-	-
B-October	2003	40,170	10/1/2021	Variable**	-	-	-	-
B-October	2003	559,830	10/1/2033	Variable**	18,990	104,965	-	-
A-March	2004	484,400	3/1/2034	5.0%	10,423	101,399	-	-
B-March	2004	344,775	3/1/2014	5.0%	-	-	-	-
September	2004	285,000	9/1/2029	4.5% to 5.0%	-	25,584	-	-
November	2004	275,000	11/1/2029	5.0%	3,400	79,985	-	-
April	2005	315,000	4/1/2030	5.0%	-	61,200	-	-
September	2005	300,000	9/1/2030	4.0% to 5.0%	-	71,559	-	-
January	2006	325,000	1/1/2031	5.0% to 5.5%	-	89,680	2,280	-
June	2006	274,950	1/1/2021	5.0%	-	-	-	-
A-June	2006	285,000	6/1/2031	5.0%	-	142,120	2,870	-
April	2007	150,000	4/1/2032	4.5% to 5.0%	-	76,000	-	-
A-June	2007	108,000	6/1/2025	5.0% to 5.5%	-	30,707	-	-
B-June	2007	329,000	1/1/2021	5.0% to 5.25%	-	-	-	-
April	2008	125,000	4/1/2033	4.0% to 5.0%	-	84,000	-	-
April	2009	150,000	4/1/2034	3.0% to 5.25%	-	58,696	4,400	-
A-September	2009	400,000	9/1/2034	3.5% to 5.0%	2,078	22,859	16,625	-
January	2010	3,466,000	1/1/2015	3.321% to 4.421%	-	-	-	2,079,600
B.A.B.^	2010-1	1,000,000	2/1/2035	2.926% to 6.63%	-	342,884	-	-
February	2010	1,501,300	1/1/2025	3.0% to 5.0%	-	-	-	-
B.A.B.^	2010-2	300,000	3/1/2035	3.0% to 6.9%	-	-	-	-
March	2010	56,000	3/1/2035	3.0% to 6.9%	-	-	-	-
B.A.B.^	2010-3	700,000	4/1/2035	3.088% to 6.725%	-	-	-	-
February	2011	3,700,000	3/1/2019	4.026% to 5.877%	-	-	-	3,700,000
B.A.B.^	2010-4	300,000	7/1/2035	2.5% to 7.1%	9,120	-	-	-
B.A.B.^	2010-5	900,000	7/1/2035	3.08% to 7.35%	27,360	-	-	-
A-January	2012	525,000	1/1/2037	3.0% to 5.0%	-	98,500	1,500	-
B-January	2012	275,000	1/1/2037	0.75 % to 5.75%	50,000	4,000	21,000	-
March	2012	575,000	3/1/2037	4.0% to 5.0%	-	100,000	-	-
May	2012	1,797,740	8/1/2025	1.6% to 5.0%	-	-	-	-
Total		\$ 34,884,942			\$ 142,494	\$ 1,892,406	\$ 53,736	\$ 15,479,600

Authorized but Unissued

\$ 112,054 \$ 1,734,274 \$ 564,394 \$ 396,348

^ Bonds issued under the American Recovery and Reinvestment Act of 2009 commonly referred to as "Build America Bonds." (B.A.B.)

* Accreted bonds are shown at their accreted values as of 6/30/12. Imputed interest rates on these capital appreciation bonds range from 3.85% to 6.65%.

** See Note 14--Derivatives for details on the variable rate bonds.

School Construction	Transportation "A"	Transportation "B"	Transportation "D"	Refunding	Principal Outstanding June 30, 2012	Amount Related to Capital Assets
317	5,274	4,971	-	-	23,543	3,933
1,494	8,733	13,047	-	-	54,946	9,627
47	12,815	5,956	-	-	36,181	7,253
-	7,702	8,318	-	-	64,637	9,923
-	-	13,888	-	-	106,264	32,673
1,041	-	11,148	-	-	54,554	13,044
36,271	-	-	-	-	59,727	9,888
-	-	-	-	88,385	88,385	49,582
11,667	11,667	2,000	-	-	50,001	24,682
18,759	19,611	4,263	-	-	63,950	28,334
21,299	8,480	4,961	-	-	53,000	17,040
-	-	-	-	35,350	35,350	20,366
-	-	-	-	4,025	4,025	3,054
-	-	-	-	175,585	175,585	98,716
32,405	10,532	4,861	-	-	64,001	17,668
-	17,974	2,568	-	-	31,881	13,577
2,790	3,375	2,250	-	-	18,000	7,445
39,675	24,797	7,439	-	-	114,066	43,093
-	-	-	-	-	9,700,000	-
20,721	17,978	3,899	-	87,376	142,070	70,891
-	-	-	-	40,170	40,170	20,738
211,945	183,945	39,985	-	-	559,830	238,074
105,066	112,255	21,721	-	-	350,864	158,258
-	-	-	-	188,900	188,900	99,930
56,853	68,223	11,371	-	-	162,031	74,777
56,610	38,080	8,925	-	-	187,000	56,146
59,040	87,840	18,720	-	-	226,800	119,611
55,924	34,877	18,040	-	-	180,400	56,123
75,240	46,360	33,440	-	-	247,000	79,998
-	-	-	-	164,970	164,970	86,405
15,960	26,010	29,640	-	-	216,600	103,818
18,400	8,800	16,800	-	-	120,000	50,948
7,513	9,750	30,030	-	-	78,000	28,680
-	-	-	-	211,500	211,500	106,391
-	8,400	12,600	-	-	105,000	48,949
-	17,600	51,304	-	-	132,000	45,214
-	263,506	10,806	16,625	-	332,499	287,281
-	-	-	-	-	2,079,600	-
-	304,060	138,000	135,056	-	920,000	490,851
-	-	-	-	1,353,390	1,353,390	576,382
161,000	-	-	115,000	-	276,000	94,162
51,520	-	-	-	-	51,520	-
58,880	309,120	50,600	225,400	-	644,000	493,678
-	-	-	-	-	3,700,000	-
-	155,760	57,546	65,574	-	288,000	209,452
-	275,280	172,638	388,722	-	864,000	552,716
100,000	-	175,000	150,000	-	525,000	75,406
200,000	-	-	-	-	275,000	-
-	-	375,000	100,000	-	575,000	17,797
-	-	-	-	1,797,740	1,797,740	717,497
<u>\$ 1,420,437</u>	<u>\$ 2,098,804</u>	<u>\$ 1,361,735</u>	<u>\$ 1,196,377</u>	<u>\$ 4,147,391</u>	<u>27,792,980</u>	<u>5,370,071</u>
<u>\$ 654,584</u>	<u>\$ 646,704</u>	<u>\$ 2,059,407</u>	<u>\$ 988,975</u>	<u>\$ 691,634</u>		
Deferred amount on refundings					(91,138)	(39,791)
Unamortized premiums					441,946	165,564
Unamortized (discounts)					(1,808)	(55)
Total					<u>\$ 28,141,980</u>	<u>\$ 5,495,789</u>

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General obligation bonds have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correction, and conservation purposes and for maintenance and construction of highway and waterway facilities. Bonds have been issued to provide assistance to municipalities for construction of sewage treatment facilities, port districts, aquarium facilities, local schools, mass transportation and aviation purposes, and to fund research and development of coal as an energy source. Bonds have been issued for the purpose of making contributions to the following designated retirement systems: State Employees' Retirement System of Illinois; Teachers' Retirement System of the State of Illinois; State Universities Retirement System; Judges' Retirement System of Illinois; and General Assembly Retirement System. In addition, bonds have been authorized to refund any general obligation bonds outstanding.

The State Constitution provides that the State may issue general obligation bonds for specific purposes in such amounts as provided either by the General Assembly with a three-fifths vote of each house or by a majority of voters in a general election. The enabling acts pursuant to which the bonds are issued provide that all bonds issued thereunder shall be direct obligations of the State of Illinois and pledge the full faith and credit of the State. Effective July 30, 2004, general obligation bonds are to be redeemed over a period not to exceed 25 years from available resources in the debt service funds. Previously, bonds have been issued which mature in varying amounts over periods not exceeding 30 years. Bond offerings generally provide a call option for the State. Calls can begin 10 years following the date of issuance, in whole or in part, in such order as the State shall determine and at a redemption price not to exceed par value.

Bond issues 2010-1, 2010-2, 2010-3, 2010-4 and 2010-5 were issued as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "ARRA"). The State has authorized the issuance of Build America Bonds pursuant to Public Act 96-828. Pursuant to the ARRA, the State expects to receive a cash subsidy payment from the United States Treasury on or about each interest payment date (the "Subsidy Payments"). The Subsidy Payments do not constitute the full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the ARRA. Any cash subsidy payments received by the State will be deposited into the State Treasury. Such payments are not pledged to secure repayment of the Bonds. The holders of the Bonds are not entitled to a tax credit as a result of the ownership of the Bonds.

Changes in general obligation bonds during the year ended June 30, 2012, are summarized in Note 8. Future general obligation debt service requirements at June 30, 2012 are as follows:

Table 9-2 (amounts expressed in thousands)			
Year Ending June 30, 2012	Governmental Activities		
	Principal	Interest	Total
2013	\$ 1,605,380	\$ 1,363,342	\$ 2,968,722
2014	1,687,053	1,332,128	3,019,181
2015	1,884,626	1,264,765	3,149,391
2016	1,480,751	1,182,821	2,663,572
2017	1,771,944	1,113,501	2,885,445
2018-2022	6,220,133	4,342,950	10,563,083
2023-2027	5,078,755	2,978,378	8,057,133
2028-2032	6,128,400	1,537,670	7,666,070
2033-2037	2,002,140	172,637	2,174,777
	27,859,182	\$ 15,288,192	\$ 43,147,374
Less: Unaccrued appreciation	(66,202)		
	27,792,980		
Deferred amount on refundings	(91,138)		
Unamortized premiums	441,946		
Unamortized (discounts)	(1,808)		
Total	\$ 28,141,980		

The State has issued \$600 million in variable rate general obligation bonds. Information regarding the June 30, 2012 valuations and risks associated with these bonds are included in Note 14—Derivatives.

10 SPECIAL OBLIGATION BONDS

Special obligation bonds have been authorized and issued to provide funds for the Build Illinois Program and the State's Metropolitan Civic Center Support Program, and to refund any bonds previously issued under these programs.

The Build Illinois Program was implemented to expand the State's efforts in economic development by providing financing in certain areas. These areas include construction, reconstruction, modernization and extension of the State's infrastructure; development and improvement of educational, scientific, technical and vocational programs and facilities; expansion of health and human services in the State; protection, preservation, restoration and conservation of the State's environmental and natural resources; and provision of incentives for the location and expansion of businesses in Illinois resulting in increased employment.

The State has pledged the following portions of the State's tax revenues, net of related expenses, to annually repay the debt service requirements of the remaining principal and interest at June 30, 2012 of \$3.9 billion in special obligation bonds related to the Build Illinois Program:

Table 10-1 (amounts expressed in thousands)

	Annual Revenue Amount	Total Revenue for Source
4.44% of general sales tax revenues plus \$37.8 million	\$ 460,133	\$ 9,794,571
50% of hotel operators tax	103,189	206,438
\$5 million of vehicle use tax	5,000	33,773
Total	<u>\$ 568,322</u>	<u>\$ 10,034,782</u>
Principal and interest requirements	\$ 299,531	
Percentage to principal and interest requirements	<u>190%</u>	

The annual revenue amounts are generally consistent year to year with increases or decreases related to economic conditions in the State. Additional issuances of bonds for the Build Illinois Program cannot be undertaken if the debt service exceeds 5% of the State's total sales tax revenues.

The State's Metropolitan Civic Center Support Program was implemented to provide funding for single or multi-purpose projects. The primary function of which is to provide public entertainment, exhibitions or conventions, or to provide parking facilities related thereto. Also, a portion (not to exceed \$10 million) is authorized for the purpose of making construction and improvement grants by the Secretary of State, as State Librarian, to public libraries and library systems.

The State originally pledged a portion of the State's horse racing privilege tax to repay the principal and interest at June 30, 2012 of \$119 million in special obligation bonds related to the State's Metropolitan Civic Center Support Program. Upon the abolishment of the horse racing privilege tax, the State annually uses amounts from the General Revenue Account, a sub-account of the General Fund, to pay the debt service of the special obligation bonds related to the State's Metropolitan Civic Center Support Program.

Effective July 30, 2004, special obligation bonds are to be redeemed over a period not to exceed 25 years. Previously, bonds have been issued which mature in varying amounts over periods not exceeding 30 years. Additionally, these bonds have call provisions providing for early redemption at the option of the State, beginning 10 years following the date of issuance, in whole or in part, in such order as the State shall determine and within any maturity by lot at varying premiums which decrease periodically.

Special obligation bonds outstanding and bonds authorized but unissued for governmental activities at June 30, 2012, are as follows:

Table 10-2 (amounts expressed in thousands)						
Governmental Activities						
	Original Issue Amount	Final Maturity	Interest Rate Ranges	Build Illinois		
				Public Infrastructure	Business Development	Education
Series 1990-B	\$ 4,601	12/15/2019	Accreted*	\$ -	\$ -	\$ -
Series L	52,001	6/15/2015	Accreted*	27,188	1,287	3,183
Series 1991	74,895	12/15/2020	6.25%	-	-	-
Series O	22,711	6/15/2013	Accreted*	-	-	-
Series P	100,000	6/15/2022	6.5%	41,448	-	12,008
Series 1998	37,590	12/15/2015	5.0%	-	-	-
Series 2000	50,280	12/15/2015	5.375% to 5.5%	-	-	-
Series of March 2001	125,165	6/15/2016	5.5%	-	-	-
Series of September 2001	110,450	6/15/2020	4.5% to 5.375%	-	-	-
Series of April 2002	150,000	6/15/2027	6.0%	44,334	7,000	16,333
Series of May 2002	50,310	6/15/2014	5.5%	-	-	-
Second Series of May 2002	94,815	6/15/2020	5.5% to 5.75%	-	-	-
Series of November 2002	182,225	6/15/2022	5.0% to 5.25%	63,854	7,244	14,487
Series of December 2002	54,350	6/15/2018	5.25%	-	-	-
Series of March 2003	75,775	6/15/2015	5.25%	-	-	-
Series of July 2003	150,000	6/15/2028	4.5% to 5.25%	33,438	6,688	10,031
Series of March 2004	200,000	6/15/2028	5.0%	82,982	13,103	69,880
Series of February 2005	75,000	6/15/2029	4.0% to 5.0%	19,258	21,250	11,953
Series of June 2005	125,000	6/15/2030	5.0% to 5.25%	78,480	-	11,520
Series of March 2006	65,000	6/15/2026	4.375% to 5.0%	25,200	2,800	12,600
Series of June 2006	150,000	6/15/2031	4.5% to 5.0%	79,800	-	34,200
Series of July 2007	50,000	6/15/2027	4.5% to 5.0%	22,125	-	7,875
Series of December 2009-A	154,920	6/15/2034	3.5% to 5.0%	95,260	-	45,375
Series of December 2009-B	375,000	6/15/2034	2.5% to 5.25%	235,586	-	100,832
Series of June 2010	455,080	6/15/2021	3.0% to 5.0%	-	-	-
Series of October 2011	300,000	6/15/2036	3.0% to 5.0%	121,150	1,520	177,330
Series of May 2012	425,040	6/15/2036	0.44% to 4.080%	72,722	88,017	217,021
Total	\$ 3,710,208			\$ 1,042,825	\$ 148,909	\$ 744,628
Authorized but Unissued				\$ 356,538	\$ 258,662	\$ 428,819
* Accreted bonds are shown at their accreted values as of 6/30/12. Imputed interest rates on these capital appreciation bonds range from 7.0% to 7.5%.						

Table 10-2 (amounts expressed in thousands)
(continued)

		Civic Centers			Principal Outstanding June 30, 2012	Amount Related to Capital Assets
Environment	Refunding	Civic Centers	Libraries	Refunding		
\$ -	\$ -	\$ 23,061	\$ -	\$ -	\$ 23,061	\$ -
172	-	-	-	-	31,830	4,615
-	-	33,255	5,125	-	38,380	-
-	10,471	-	-	-	10,471	847
994	-	-	-	-	54,450	17,601
-	-	-	-	10,390	10,390	-
-	-	-	-	19,405	19,405	-
-	40,535	-	-	-	40,535	10,405
-	56,390	-	-	-	56,390	1,534
2,333	-	-	-	-	70,000	4,195
-	50,310	-	-	-	50,310	18,617
-	94,815	-	-	-	94,815	35,085
2,415	-	-	-	-	88,000	5,713
-	37,915	-	-	-	37,915	5,638
-	47,230	-	-	-	47,230	12,362
5,573	-	-	-	-	55,730	3,498
8,735	-	-	-	-	174,700	12,107
664	-	-	-	-	53,125	8,957
-	-	-	-	-	90,000	52,384
4,900	-	-	-	-	45,500	16,474
-	-	-	-	-	114,000	42,149
7,500	-	-	-	-	37,500	3,253
1,375	-	-	-	-	142,010	-
7,332	-	-	-	-	343,750	1,402
-	397,215	-	-	-	397,215	37,231
-	-	-	-	-	300,000	435
47,280	-	-	-	-	425,040	3
<u>\$ 89,273</u>	<u>\$ 734,881</u>	<u>\$ 56,316</u>	<u>\$ 5,125</u>	<u>\$ 29,795</u>	2,851,752	294,505
<u>\$ 20,783</u>	<u>Unlimited</u>	<u>\$ 152,144</u>	<u>\$ 4,875</u>	<u>Unlimited</u>		
			Deferred amount on refundings		(11,888)	(1,016)
			Unamortized premiums		94,663	9,958
			Total		<u>\$ 2,934,527</u>	<u>\$ 303,447</u>

Changes in special obligation bonds during the year ended June 30, 2012, are summarized in Note 8. Future special obligation debt service requirements at June 30, 2012, are as follows:

Table 10-3 (amounts expressed in thousands)			
Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2013	\$ 222,475	\$ 133,206	\$ 355,681
2014	222,750	122,496	345,246
2015	222,270	111,954	334,224
2016	216,310	101,211	317,521
2017	202,341	91,433	293,774
2018-2022	767,504	334,966	1,102,470
2023-2027	518,460	187,545	706,005
2028-2032	327,735	80,158	407,893
2033-2037	165,000	16,294	181,294
	2,864,845	\$ 1,179,263	\$ 4,044,108
Less: Unaccrued appreciation	(13,093)		
	2,851,752		
Deferred amount on refundings	(11,888)		
Unamortized premiums	94,663		
Total	\$ 2,934,527		

11 REVENUE BONDS

The State Constitution empowers certain State agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. The bond indentures include a pledge from these agencies and authorities that income derived from acquired or constructed assets be used to retire the debt and service related interest. Bonds outstanding at June 30, 2012 (except for the Illinois State Toll Highway Authority, which is as of December 31, 2011), net of unamortized discounts, unamortized deferred amount on bond refunding, and unamortized bond premiums are as follows:

Table 11-1 (amounts expressed in thousands)			
Fund Type/Agency	Amount Outstanding	Outstanding Interest Rates	Annual Maturity To
Primary Government			
Governmental Activities			
Blended component unit:			
Railsplitter Tobacco Settlement Authority	\$ 1,450,094	3.125% to 6.250%	2028
Business-type Activities			
Nonmajor enterprise fund:			
Designated Account Purchase Program	590,704	1.330% to 17.000%	2045
Major Component Units			
Illinois Housing Development Authority	1,468,867	0.180% to 25.000%	2051
Illinois State Toll Highway Authority	4,016,356	3.500% to 6.300%	2034
Illinois State University	114,127	1.300% to 7.400%	2033
Northern Illinois University	202,526	3.000% to 8.150%	2041
Southern Illinois University	299,841	2.050% to 6.200%	2036
University of Illinois	1,134,790	0.170% to 12.000%	2041

Changes in revenue bonds during the year ended June 30, 2012 are summarized in Note 8. Revenue bond debt service requirements, principal and interest as of June 30, 2012, are as follows:

Table 11-2 (amounts expressed in thousands)

Primary Government				
Year Ending June 30	Governmental Activities Railsplitter Tobacco Settlement Authority		Business-type Activities Designated Account Purchase Program	
	Principal	Interest	Principal	Interest
2013	\$ 63,550	\$ 77,480	\$ -	\$ 8,208
2014	70,860	74,938	40,500	8,208
2015	76,820	71,869	-	6,932
2016	80,655	68,028	-	6,932
2017	84,700	64,184	52,198	6,842
2018-2022	494,780	251,954	269,000	31,447
2023-2027	519,315	108,615	-	11,809
2028-2032	53,405	3,204	-	11,809
2033-2037	-	-	-	11,809
2038-2042	-	-	100	11,809
2043-2047	-	-	173,350	5,033
	<u>1,444,085</u>	<u>\$ 720,272</u>	<u>535,148</u>	<u>\$ 120,838</u>
Deferred amount on refundings	-	-	62,589	-
Unamortized premiums	6,009	-	-	-
Unamortized (discounts)	-	-	(7,033)	-
Total	<u>\$ 1,450,094</u>		<u>\$ 590,704</u>	

Table 11-3 (amounts expressed in thousands)

Major Component Units						
Year Ending June 30	Illinois Housing Development Authority		Illinois Toll Highway Authority		Illinois State University	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 238,213	\$ 53,426	\$ 53,040	\$ 195,249	\$ 6,330	\$ 4,285
2014	42,300	52,433	56,365	191,951	7,125	4,109
2015	45,144	50,967	92,855	187,973	7,525	3,858
2016	46,915	49,334	97,795	182,902	7,575	3,803
2017	46,530	47,492	102,910	177,921	4,345	3,742
2018-2022	209,143	207,017	652,285	805,056	24,190	16,142
2023-2027	217,060	159,018	927,210	615,530	27,395	10,787
2028-2032	216,659	114,505	1,004,305	400,122	29,685	4,322
2033-2037	233,809	63,398	1,030,000	117,846	2,100	105
2038-2042	136,279	22,127	-	-	-	-
2043-2047	32,100	4,603	-	-	-	-
2048-2052	8,125	571	-	-	-	-
	<u>1,472,277</u>	<u>\$ 824,891</u>	<u>4,016,765</u>	<u>\$ 2,874,550</u>	<u>116,270</u>	<u>\$ 51,153</u>
Less: Unaccreted appreciation	(6)	-	-	-	(2,083)	-
	<u>1,472,271</u>		<u>4,016,765</u>		<u>114,187</u>	
Deferred amount on refundings	(4,445)	-	(53,893)	-	-	-
Unamortized premiums	2,134	-	61,428	-	666	-
Unamortized (discounts)	(1,093)	-	(7,944)	-	(726)	-
Total	<u>\$ 1,468,867</u>		<u>\$ 4,016,356</u>		<u>\$ 114,127</u>	

Table 11-3 (continued)
(amounts expressed in thousands)

Major Component Units, continued

Year Ending June 30	Northern Illinois University		Southern Illinois University		University of Illinois	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 6,295	\$ 13,403	\$ 17,620	\$ 10,793	\$ 42,100	\$ 46,826
2014	3,730	13,300	17,580	10,374	45,170	45,593
2015	3,890	13,300	18,460	9,946	46,865	44,373
2016	3,900	13,295	18,905	9,450	48,560	43,161
2017	3,905	13,288	18,075	8,907	50,820	41,790
2018-2022	22,475	63,486	92,245	36,352	294,035	184,972
2023-2027	28,880	57,082	83,695	22,115	248,305	129,674
2028-2032	37,290	47,458	52,960	9,058	235,325	75,137
2033-2037	47,935	31,267	14,710	1,739	149,375	22,829
2038-2042	47,300	9,769	-	-	19,010	2,306
	205,600	\$ 275,648	334,250	\$ 118,734	1,179,565	\$ 636,661
Less: Unaccrued appreciation	(1,945)		(38,625)		(59,133)	
	203,655		295,625		1,120,432	
Deferred amount on refundings	(1,129)		(1,193)		(20,461)	
Unamortized premiums	-		5,409		34,819	
Total	\$ 202,526		\$ 299,841		\$ 1,134,790	

All but \$314 thousand of the \$1.469 billion of outstanding Illinois Housing Development Authority (“IHDA”) revenue bonds do not require the Governor to include in the State budget the amount necessary for payment of principal and interest. Payment of principal and interest on IHDA bonds are debt of various entities and are guaranteed from pledged revenues of the properties and assets within its issuance resolutions. Furthermore, a portion of the IHDA bonds are additionally secured by a form of credit enhancement such as a municipal bond insurance policy or a direct pay letter of credit on its payment of principal and interest.

Revenue bond principal and interest debt service requirements as of December 31, 2011 for Illinois State Toll Highway Authority (“THA”) were prepared assuming THA will renew the Standby Bond Purchase Agreement for its Series 1998B Variable Rate Bond prior to its expiration on December 28, 2012. The Series 1998B Bonds were initially issued in a weekly mode and were in a weekly mode during all of calendar year 2011. While in the weekly mode, the Series 1998B Bonds are subject to demand for purchase from bondholders. In the event THA is unable to renew or replace its Standby Bond Purchase Agreement, the bonds will be subject to mandatory tender and repayment in accordance with the terms of the agreement. The outstanding principal of \$123.1 million has been classified as a current liability on the balance sheet due to the potential expiration on December 28, 2012. The scheduled 1998 Series B principal payments are \$53.9 million on January 1, 2016 and \$69.2 million on January 1, 2017 with a final maturity date of January 1, 2017.

A. Railsplitter Tobacco Settlement Authority (“RTSA”)

The RTSA was created on July 1, 2010 under the Railsplitter Tobacco Settlement Authority Act (30 ILCS 171). RTSA issued \$1.503 billion of Tobacco Settlement Revenue Bonds, Series 2010 (“the bonds”) on December 8, 2010. The bonds were issued as fixed interest rate, fixed scheduled amortization, serial and term bonds with maturities ranging from 2012 through 2028. The fixed interest rates range from 3.0% through 6.25%. Proceeds of the bonds were used to pay issuance costs and to provide an approximate \$1.350 billion payment to the State in exchange for rights to 100 percent of the State’s future Tobacco Settlement Revenues (TSRs) through the final maturity date of the bonds in 2028. The \$1.350 billion payment was used by the State to pay

outstanding obligations of the General Revenue Fund. The bond proceeds have been deferred and will be recognized as an expense ratably over the life of the bonds. As of June 30, 2012, the deferred amount is \$1.103 billion.

The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement, adjusted for historical trends, is estimated to be \$4.125 billion. The RTSA has pledged the future TSRs, net of specified operating expenditures, to repay the bonds. Annual principal and interest on the bonds are expected to require on average, less than 60% of the net TSRs. The total principal and interest remaining to be paid on the bonds is approximately \$2.2 billion. Interest paid for the current year and total TSRs received were \$139 million and \$273 million, respectively.

As part of the consideration for the sale to the RTSA by the State of the pledged settlement payments, the RTSA issued a residual certificate to the State. In accordance with the provisions of the trust indenture, upon payment in full of the deposits required by the trust indenture, the remaining balance of pledged revenues shall be transferred to the State as owner of the residual certificate. Residuals are expected to be approximately \$1.784 billion. During the year ended June 30, 2012, \$132 million of residual revenues was paid to the State and \$59 million was recorded as a liability to the State at year-end.

B. Demand and Variable Rate Bonds

Primary Government

Designated Account Purchase Program (“IDAPP”)

Included within IDAPP’s \$590.7 million of outstanding revenue bonds at June 30, 2012 are \$550.3 million in variable rate bonds that have their interest rates reset periodically. These bonds carry a maximum interest rate ranging from 10% to 17%. The actual interest rates were used in calculating the future interest payments for the portion of the debt related to the LIBOR Floating Rate Notes (\$530.9 million) and the Union Bank of Switzerland (UBS) debt (\$19.4 million).

Major Component Units

Illinois Housing Development Authority (“IHDA”)

Included within the IHDA’s outstanding revenue bonds are \$46.7 million of Homeowner Mortgage Revenue Bonds Series 2004A3, 2004C3, and 2005A3 and \$56.2 million of Housing Bonds Series 2004B, 2008A, 2008B, and 2008C which are variable rate demand bonds. Interest rates on these bonds are determined weekly at a rate established by the remarketing agent on each rate determination date. In addition, \$14.3 million of Homeowner Mortgage Revenue Bonds Series 2001F and 2002B are also variable rate, but not demand bonds. Interest rates on these bonds are based on a floating rate determined on a monthly basis and paid either monthly or semi-annually. Also, \$179 million of Homeowner Mortgage Revenue Bonds Series 2009B are variable rate, but not demand bonds. The interest rates on these bonds are based on the Four Week Treasury Bill and paid on the bonds conversion date to fixed bonds. On the variable rate demand bonds, IHDA has agreements with liquidity providers to purchase any bonds tendered for purchase in accordance with the indentures. For additional security, IHDA has entered into risk management agreements to hedge against interest rate risks on 1 series of bonds and wrapped credit enhancements on 4 series of bonds (see Note 14—Derivatives).

Illinois State Toll Highway Authority (“THA”)

As of December 31, 2011, the THA had outstanding variable rate demand bonds in the amount of \$123.1 million of Series 1998B bonds, \$700.0 million of Series 2007 A-1 and A-2 bonds, and \$478.9 million of Series 2008 A-1 and A-2 bonds. These bonds have final maturities in 2017, 2030 and 2031, respectively, and bear interest rates that are reset weekly by remarketing agents at rates not to exceed 25%, 15% and 12%, respectively. These bonds are subject to tender for purchase by bondholders at a price equal to the principal plus accrued interest, upon a minimum seven days’ notice from the bondholder to the remarketing agent. The THA has agreements with liquidity providers to purchase any bonds so tendered for purchase that fail to be remarketed and to hold such bonds until either remarketed or paid by THA per the terms of the liquidity agreements. For the Series 1998B and Series 2008 A-1 and A-2 bonds, financial guarantee insurance policies obtained by THA guarantee the payment of principal and interest on the scheduled bond interest payment and maturity dates and on certain payment dates specified in the liquidity agreements. The THA has an obligation to reimburse the insurer for any such payments made.

University of Illinois (“U of I”)

The U of I had outstanding variable rate demand bonds in the amount of \$17.0 million for the Series 1997B bonds and \$112.9 million for the three Series 2008 bonds. These bonds have final maturities in 2026, 2038, 2026, and 2022, respectively, and bear interest rates as determined by the remarketing agents on each rate determination date not to exceed 12% on all of the bond series. These bonds are subject to redemption if tendered by the holder at a price equal to the principal plus accrued interest upon notice and delivery to the remarketing agent. The U of I has agreements with liquidity or credit providers to purchase any bonds so tendered for purchase in accordance with the indentures with respect to which the Trustee does not, on the date any such tendered bonds are required to be purchased, have sufficient funds to make such purchase. The U of I has obtained a letter of credit or relies on its own credit to guarantee the payment of principal and interest on the scheduled maturity dates. The U of I has an obligation to reimburse the letter of credit issuer for any such payments made.

Derivatives

IHDA, THA, and U of I all have entered into various interest rate swap agreements. Details of these agreements are discussed in Note 14—Derivatives.

C. Build America Bonds

The THA, Northern Illinois University (“NIU”) and Southern Illinois University (“SIU”) have issued Build America Bonds under the American Recovery and Reinvestment Act of 2009 (the “ARRA”). Pursuant to the ARRA, THA, NIU and SIU expect to receive cash subsidy payments from the United States Treasury on or about each interest payment date (the “Subsidy Payments”). These Subsidy Payments do not constitute the full faith and credit guarantee of the United States Government, but are required to be paid by the United States Treasury under the ARRA. Such payments are not pledged to secure payment of the Bonds. The holders of the Bonds are not entitled to a tax credit as a result of the ownership of the Bonds.

D. Conduit Debt (not included in financial statements)

The State of Illinois, by action of the General Assembly, created various authorities for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. Fees are assessed to recover related processing and application costs incurred. Bonds issued by the authorities represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers to the entity served by the bond issuance. The State has no obligation for this debt. Accordingly, these bonds are not reflected in the accompanying financial statements.

At June 30, 2012, recorded amounts of revenue bonds, net of defeased bonds, and notes outstanding as reported by authority officials are as follows:

Table 11-4 (amounts expressed in thousands)		
Authority	Amount Outstanding	Annual Maturity To
Illinois Finance Authority	24,638,778	2051
Illinois Housing Development Authority	377,608	2048
Southwestern Illinois Development Authority	680,871	2041
Upper Illinois River Valley Development Authority	120,003	2045
Will-Kankakee Regional Development Authority	40,736	2042
Illinois Medical District Commission	39,120	2031
Quad Cities Regional Economic Development Authority	44,311	2041
Southeastern Illinois Economic Development Authority	9,144	2031
Western Illinois Economic Development Authority	19,255	2037
Total	<u>\$ 25,969,826</u>	

12 NOTES PAYABLE/SHORT-TERM BORROWINGS**A. Notes Payable**

The State's major component units have obtained notes payable, normally secured by specific revenue sources, to provide financing. Outstanding notes payable at June 30, 2012 were as follows:

Table 12-1 (amounts expressed in thousands)			
Fund Type/Agency	Amount Outstanding	Interest Rates	Maturity Date
Major Component Units			
Illinois Housing Development Authority	<u>\$ 27,670</u>	0.15% to 2.32%	8/10/2022

Changes in notes payable during the year ended June 30, 2012 are summarized in Note 8. Future notes payable debt service requirements as of June 30, 2012, are as follows:

Table 12-2 (amounts expressed in thousands)		
Major Component Units		
Year Ending	Illinois Housing Development Authority	
	Principal	Interest
June 30		
2013	\$ 5,000	\$ 526
2014	-	525
2015	-	525
2016	-	525
2017	-	525
2018-2022	7,000	2,559
2023-2027	15,670	40
	<u>\$ 27,670</u>	<u>\$ 5,225</u>

B. Short-Term Borrowings

Primary Government – Business-type Activities

Pursuant to the provisions of Title XII of the federal code, the Department of Employment Security (“IDES”) received advances from the Federal Government to the State’s account within the Unemployment Compensation Trust Fund (“UCTF”). The UCTF account, from which funds are drawn by IDES to pay unemployment benefits to claimants, was depleted in July 2009 due to extended high unemployment rates during the course of the recent national recession and tax revenues that have not yet matched the increased level of unemployment benefit claims. This led IDES to borrow from the Federal Government to fulfill its mandate to pay benefits required by law. The total outstanding advances from the Federal Government were \$1.14 billion at June 30, 2012.

Under current federal law, these loans were interest free through the end of calendar year 2010, with interest accruing beginning on January 1, 2011. The interest rate charged for a given calendar year is the earnings yield on the UCTF for the quarter ending December 31 of the previous calendar year, which for calendar year 2012 was approximately 4.09%. Interest is due and payable to the Federal Government each September 30 and may not be paid from the State’s unemployment fund or from federal funds. On September 29, 2011, IDES paid interest of approximately \$71 million. As of June 30, 2012, accrued interest was approximately \$46 million.

The Designated Account Purchase Program (“IDAPP”) has a short-term revolving credit line agreement. The revolving credit line was used to purchase eligible student loans (guaranteed or insured or an eligible loan under the Higher Education Act). The credit line expired on September 8, 2008 resulting, by terms of the Indenture, in the commencement of the Liquidation Period. On July 27, 2010, the final maturity date under the credit line agreement, the credit line agreement became payable and due. Due in part to conditions currently existing in the credit markets, IDAPP has been unable to refinance this debt and is currently in payment default under the credit line agreement. In addition, IDAPP is in breach of the coverage condition ratio defined in the

indenture. The breaches qualify as an Event of Termination under which the lender would be eligible for remedies under the indenture. The lender has not exercised its remedies to date. Conversations are ongoing with the lender to resolve the issues discussed. As of June 30, 2012, the \$275.957 million outstanding under this line is shown as current for fiscal year 2012.

Under terms of the agreement, all revenues generated by the underlying student loan portfolio are transferred to a trust. The trust then pays all expenses related to the debt service and student loan servicing costs (capped at 65 basis points of the outstanding average balance of the portfolio). During fiscal year 2012, \$32.5 million of principal and \$8.8 million of interest was collected, all of which was transferred to the trust. During the same period, the trust paid \$1.9 million for interest expense and other professional fees and \$2.1 million for servicing fees.

Major Component Units

Northern Illinois University ("NIU")

On September 30, 2008, the NIU Research Foundation established a credit agreement not to exceed \$15 million. The purpose of the credit agreement was to provide the NIU Research Foundation with short-term financing as preparations were made to issue long-term debt for a major project. The loan balance was paid in full during fiscal year 2012.

University of Illinois ("U of I")

The U of I Foundation has a \$15 million unsecured line of credit to a bank, due February 2015, with a negotiated interest rate in irregular intervals (1.1% at June 30, 2012). The line of credit is to be used to purchase property that is to be held for the U of I. As of June 30, 2012, \$4.084 million outstanding under this line is shown as current for fiscal year 2012.

Changes in short-term borrowing during the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Primary Government				
Business-type Activities				
Unemployment Compensation Trust Fund	\$ 2,138,064	\$ 1,795,152	\$ (2,794,952)	\$ 1,138,264
Nonmajor enterprise funds	314,457	-	(38,500)	275,957
Total Business-type Activities	<u>\$ 2,452,521</u>	<u>\$ 1,795,152</u>	<u>\$ (2,833,452)</u>	<u>\$ 1,414,221</u>
Major Component Units				
Northern Illinois University	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>
University of Illinois	<u>\$ 4,932</u>	<u>\$ -</u>	<u>\$ (848)</u>	<u>\$ 4,084</u>

13 OTHER LONG-TERM OBLIGATIONS

Other long-term obligations reported in the government-wide statements and disclosed below are as follows:

Table 13-1 (amounts expressed in thousands)

Primary Government		Business-type Activities				
		Governmental Activities	Water Revolving Fund	Prepaid Tuition Fund	Nonmajor Enterprise Funds	Fiduciary Funds
Description	Reference					
Capital lease obligations	(A)	\$ 7,648	\$ -	\$ -	\$ -	\$ 15
Certificates of participation	(B)	58,190	-	-	-	-
Installment purchase obligations	(C)	3,412	-	-	-	-
Pollution remediation obligations	(D)	37,800	-	-	-	-
Obligations to Lottery Prize Winners	(E)	-	-	-	300,719	-
Prepaid Tuition Fund obligations	(F)	-	-	1,594,657	-	-
Other obligations	(G)	237	-	-	8,418	-
Total Other Long-Term Obligations		\$ 107,287	\$ -	\$ 1,594,657	\$ 309,137	\$ 15

Table 13-2 (amounts expressed in thousands)

Major Component Units		Illinois Housing Development Authority	Toll Highway Authority	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois
Description	Reference						
Capital lease obligations	(A)	\$ -	\$ -	\$ 1,953	\$ 133,332	\$ 1,257	\$ 7,519
Certificates of participation	(B)	-	-	34,334	3,320	17,886	444,129
Installment purchase obligations	(C)	-	-	3,053	-	-	-
Other obligations	(G)	14,885	218	225	33,480	3,916	72,068
Total Other Long-Term Obligations		\$ 14,885	\$ 218	\$ 39,565	\$ 170,132	\$ 23,059	\$ 523,716

A. Lease Commitments

The State has entered into various capital leases for land, office facilities, office and computer equipment, and other assets. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. Information regarding operating leases is included in Note 20.

At June 30, 2012, assets capitalized under capitalized leases are as follows:

Table 13-3 (amounts expressed in thousands)

Primary Government		Governmental Activities	Business-type Activities	Fiduciary Funds
Buildings and building improvements		\$ 8,944	\$ -	\$ -
Equipment		5,190	-	36
		14,134	-	36
Less: Accumulated depreciation		7,460	-	10
		\$ 6,674	\$ -	\$ 26

Table 13-4 (amounts expressed in thousands)

Major Component Units

	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois
Land and land improvements	\$ -	\$ 5,996	\$ -	\$ -
Buildings and building improvements	1,087	147,377	-	-
Equipment	932	1,266	1,753	15,710
	2,019	154,639	1,753	15,710
Less: Accumulated depreciation	295	7,750	309	14,486
	<u>\$ 1,724</u>	<u>\$ 146,889</u>	<u>\$ 1,444</u>	<u>\$ 1,224</u>

Future minimum commitments for non-cancelable capital leases as of June 30, 2012 are as follows:

Table 13-5 (amounts expressed in thousands)

Primary Government

Year Ending June 30	Capitalized Leases			
	Governmental Activities		Fiduciary Funds	
	Principal	Interest	Principal	Interest
2013	\$ 1,631	\$ 827	\$ 13	\$ 1
2014	1,657	597	2	-
2015	1,411	373	-	-
2016	1,144	228	-	-
2017	870	125	-	-
2018-2022	935	46	-	-
Total minimum lease payments	<u>\$ 7,648</u>	<u>\$ 2,196</u>	<u>\$ 15</u>	<u>\$ 1</u>

Table 13-6 (amounts expressed in thousands)

Major Component Units

Year Ending June 30	Illinois State University		Northern Illinois University		Southern Illinois University		University of Illinois	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 469	\$ 52	\$ 296	\$ 8,858	\$ 293	\$ 31	\$ 3,181	\$ 299
2014	482	39	742	8,847	211	22	3,069	164
2015	494	27	1,024	8,810	182	17	743	49
2016	508	14	1,205	8,761	186	13	427	17
2017	-	-	1,528	8,699	190	8	70	2
2018-2022	-	-	11,414	42,011	195	3	29	-
2023-2027	-	-	15,408	38,097	-	-	-	-
2028-2032	-	-	21,160	32,212	-	-	-	-
2033-2037	-	-	29,475	23,907	-	-	-	-
2038-2042	-	-	41,090	12,284	-	-	-	-
2043-2047	-	-	9,990	687	-	-	-	-
Total minimum lease payments	<u>\$ 1,953</u>	<u>\$ 132</u>	<u>\$ 133,332</u>	<u>\$ 193,173</u>	<u>\$ 1,257</u>	<u>\$ 94</u>	<u>\$ 7,519</u>	<u>\$ 531</u>

B. Certificates of Participation

State-issued Certificates of Participation - The State is authorized to issue certificates of participation ("Certificates") representing the right to receive a proportionate share in lease-purchase or installment purchase payments to be made for the benefit of State agencies for the acquisition or improvement of real or personal property, refinancing of such property, payment of expenses of such property or payment of expenses related to the issuance. The outstanding balance of the State-issued Certificates included in the governmental activities financial statements as of June 30, 2012 was \$16.1 million.

Certain major component units have also issued Certificates representing the right to receive a proportionate share of lease-purchase or installment payments. All of these Certificates issued by major component units are considered State-issued. The outstanding balance of these Certificates as of June 30, 2012 was \$499.7 million, which includes unamortized premiums of \$10.3 million, unamortized discounts of \$128 thousand and deferred amounts on refunding of \$6.0 million and is included in the component unit financial statements.

Non-State-issued Certificates of Participation - The State also finances the purchase of certain State-owned real and personal property through third party (non-State-issued) Certificates. These non-State-issued Certificates are sold by private concerns and are repaid by State agency appropriations pursuant to installment purchase agreements. The outstanding balance of non-State-issued Certificates included in the governmental activities financial statements as of June 30, 2012 was \$42.1 million.

Future commitments by the State to make installment payments to pay for the assets acquired and related financing costs for State-issued and non-State-issued Certificates at June 30, 2012 are as follows:

Table 13-7 (amounts expressed in thousands)						
Primary Government Governmental Activities						
Year Ending June 30	Certificates of Participation					
	State-Issued		Non-State-Issued		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,305	\$ 905	\$ 5,020	\$ 2,263	\$ 7,325	\$ 3,168
2014	2,440	765	7,160	1,965	9,600	2,730
2015	2,590	614	5,615	1,600	8,205	2,214
2016	2,750	451	5,940	1,261	8,690	1,712
2017	2,915	279	6,305	896	9,220	1,175
2018-2022	3,140	95	12,010	827	15,150	922
	<u>\$ 16,140</u>	<u>\$ 3,109</u>	<u>\$ 42,050</u>	<u>\$ 8,812</u>	<u>\$ 58,190</u>	<u>\$ 11,921</u>

Table 13-8 (amounts expressed in thousands)								
Major Component Units								
Year Ending June 30	Certificates of Participation							
	Illinois State University		Northern Illinois University		Southern Illinois University		University of Illinois	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,515	\$ 1,500	\$ 465	\$ 167	\$ 2,190	\$ 813	\$ 143,855	\$ 20,337
2014	1,555	1,443	485	141	1,760	734	26,540	14,139
2015	1,620	1,386	515	114	1,195	661	27,880	12,808
2016	1,675	1,324	550	85	1,070	610	23,785	11,548
2017	1,730	1,257	1,305	35	1,125	564	24,485	10,382
2018-2022	9,810	5,176	-	-	6,410	2,000	87,665	37,260
2023-2027	11,645	2,830	-	-	4,190	345	91,210	15,106
2028-2032	4,800	597	-	-	-	-	14,375	342
	34,350	\$ 15,513	3,320	\$ 542	17,940	\$ 5,727	439,795	\$ 121,922
Deferred amount on refundings	-	-	-	-	-	-	(5,979)	-
Unamortized premiums	58	-	-	-	-	-	10,313	-
Unamortized (discounts)	(74)	-	-	-	(54)	-	-	-
	\$ 34,334		\$ 3,320		\$ 17,886		\$ 444,129	

C. Installment Purchase Obligations

The State has acquired certain land, office facilities, office and computer equipment, and other assets through installment purchase arrangements. Future commitments under installment purchase contracts as of June 30, 2012 are as follows:

Table 13-9 (amounts expressed in thousands)			
Primary Government			
Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2013	\$ 2,257	\$ 164	\$ 2,421
2014	347	104	451
2015	366	67	433
2016	406	27	433
2017	36	-	36
2018-2022	-	-	-
	\$ 3,412	\$ 362	\$ 3,774

Table 13-10 (amounts expressed in thousands)			
Major Component Unit			
Year Ending June 30	Illinois State University		
	Principal	Interest	Total
2013	\$ 74	\$ 196	\$ 270
2014	78	191	269
2015	84	186	270
2016	90	181	271
2017	2,727	356	3,083
	\$ 3,053	\$ 1,110	\$ 4,163

D. Pollution Remediation Obligations

Tracts of land near Ottawa, Illinois were donated to the State more than 50 years ago for public purposes. Several years later, the State discovered that other parties had dumped radioactive waste on the land, before it was donated to the State. The State advised the United States

Environmental Protection Agency (“USEPA”) of the situation and the land was transferred to the Illinois Emergency Management Agency for clean-up.

Although the State was not culpable for the creation of the hazard, federal law makes it, as the owner, a potentially responsible party along with the corporations that did the dumping. These corporations are defunct and in recognition of the State’s lack of culpability, the USEPA has currently estimated the clean-up to the site and adjacent property to cost approximately \$70 million. The State has estimated its portion of the liability for the clean-up to be \$35 million.

The Illinois Department of Transportation has recorded building demolition, pollution remediation obligations for investigations, remediation of contaminated soils and installation of groundwater monitoring wells, and treatment and removal of copper slag with a balance, at June 30, 2012, of \$2.8 million.

E. Obligations to Lottery Prize Winners

The State has obligations to certain lottery prize winners for awards payable in annual installments ranging from nineteen years to the life of the prize winner, with the first payment being made after the claim is presented for payment. For certain prize winners, annuities were purchased in the name of the State for which the State has retained the rights of ownership. Effective July 30, 1985, State law provides that the State Treasurer, with the consent of the Director of the Department of Lottery, may contract to invest in securities, which provide payments corresponding to its obligation to these winners. The present value of these liabilities owed to prize winners, approximating \$531 thousand, have been reported in the financial statements of the State Lottery Fund, a nonmajor enterprise fund.

In addition to the prize obligations discussed above, the State has provided for other payments corresponding to its obligation to prize winners through the purchase of direct obligations of the federal government, primarily in the form of United States Treasury zero coupon bonds. As established by State law, such securities shall be maintained separate and apart from all public money of funds of the State. These investments are purchased in amounts to provide for annual annuity payments to the prize winner(s) of each qualifying individual drawing. The fair value of the investments held totaled \$360 million at June 30, 2012, with interest rates ranging from 2.6% to 9.4%. The present value of these liabilities owed to prize winners, approximating \$300.188 million, have been reported in the financial statements of the State Lottery Fund, a nonmajor enterprise fund.

Future commitments of prizes payable as of June 30, 2012 are as follows:

Table 13-11 (amounts expressed in thousands)	
Primary Government Business-type Activities	
Year Ending June 30	State Lottery Fund Amount
2013	\$ 58,250
2014	47,622
2015	36,964
2016	32,025
2017	24,325
2018-2036	213,941
	413,127
Less: Present value adjustments	(112,408)
Present value of future prizes	<u>\$ 300,719</u>

F. Prepaid Tuition Fund Obligations

Tuition payable in the Illinois Prepaid Tuition Fund, a major enterprise fund, as of June 30, 2012, represents net principal payments received for contracts held by the fund in the amount of \$908.145 million, of which \$172.525 million is considered current. In addition, an accretion payable recorded in the same fund in the amount of \$686.512 million of which \$12.875 million is considered current, is the present value of payments to be made in excess of the principal payments received from investments of the tuition contracts. The accretion expense is estimated as a percentage of net tuition costs paid to date. It is calculated on a monthly basis on the balance in the tuition payable account.

G. Other Obligations**Primary Government - Governmental Activities**

The Tax Reform Act of 1986 requires issuers of state and local government bonds to rebate to the federal government arbitrage profits earned on those bonds under certain circumstances. In accordance with that, it was determined that there was an arbitrage rebate liability of \$237.0 thousand as of June 30, 2012. The Build Illinois Bond Retirement and Interest Fund, a nonmajor governmental fund, is expected to be used to repay the liability from future resources of this fund.

Primary Government - Business-type Activities

Other nonmajor enterprise funds presented other obligations in the amount of \$8.418 million. These obligations, consisting mostly of future workers' compensation benefit payments for self-insured companies, are expected to be paid with current resources of the reporting fund.

Major Component Units

Major component units presented other miscellaneous obligations in the amount of \$124.8 million. These obligations will be liquidated from resources of the reporting major component unit.

14 DERIVATIVES**Hedging Derivatives - Primary Government - Governmental Activities**

On October 30, 2003, the State of Illinois issued a total of \$963 million of tax exempt general obligation new and refunding bonds in two series: \$363 million fixed rate bonds maturing through 2020 ("2003A bonds") and \$600 million variable rate demand bonds maturing in years 2020 through 2033 ("2003B bonds"). To assure the continuing ability to place the variable rate demand bonds with investors, the State secured a liquidity facility from Depfa Bank, PLC (the "Liquidity Provider") for the principal amount and 35 days interest on the 2003B bonds.

Pursuant to Public Act 93-9, the State simultaneously entered into Interest Rate Exchange Agreements ("Agreements") with five counterparties under substantially identical terms, to create a net fixed rate debt service obligation on the 2003B bonds. All are considered to be cash flow hedges. The Agreements together with the issuance of the 2003B bonds as variable rate debt were entered into to produce a lower total cost of debt service than if the financing plan had been sold as all fixed rate debt.

The Agreements were entered into pursuant to the Interest Rate Risk Management Policy ("Policy"), as required by the General Obligation Bond Act, 30 ILCS 330/9, *et seq.* Pursuant to the Policy, the Agreements and the 2003B bonds in combination are not counted against the variable rate debt limit of the State, since amounts paid on the 2003B bonds and receipts under the Agreements were designed to be substantially similar. Further, the critical terms of the 2003B bonds and Agreements are consistent, essentially resulting in a net synthetic fixed rate obligation.

On November 24, 2008, the State entered into a novation agreement which terminated the \$384 million interest rate swap agreement with Lehman Brothers Commercial Bank ("LBCB") and entered into a new interest rate swap agreement with Deutsche Bank AG with the same terms and conditions present in the original agreement. In fiscal year 2009, a \$39.977 million liability was recorded on the Statement of Net Assets representing the mark-to-market value of the swap at the date the transaction was negotiated between the State and Deutsche Bank AG. The unamortized balance of the financing payable under the swap agreement was \$36.691 million at June 30, 2011.

During fiscal year 2012, the State adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Implementation of the pronouncement required the State to eliminate the accounting treatment previously applied when the event occurred through a retroactive adjustment to beginning net assets. The State recorded an effect of change in accounting principal to beginning net assets of \$36.691 million representing the elimination of the unamortized balance of the financing payable which was recognized when the interest rate swap agreement novated from LBCB to Deutsche Bank AG in fiscal year 2009.

Details of the Agreements are summarized below:

Table 14-1 (amounts expressed in thousands)

Associated Bond Issue (1)	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values (2)(3)	Change in Fair Value (4)	Swap Termination Date	Counterparty Credit Rating (5)
Primary Government								
Governmental Activities								
Interest Rate Swap Contracts								
Series 2003B	\$ 384,000	10/03	3.890%	67% of 1 mo. LIBOR [^]	\$ (115,670)		10/33	A+/A2/A+
General Obligation Bonds	54,000	10/03	3.890%	when 1 mo. LIBOR	(15,860)		10/33	A-/Baa1/BBB
	54,000	10/03	3.890%	is \geq 2.5%, or	(15,930)		10/33	A-/Baa2/A
	54,000	10/03	3.890%	SIFMA [^] , when 1 mo.	(15,550)		10/33	A+/Aa3/A+
	54,000	10/03	3.890%	LIBOR is < 2.5%	(15,930)		10/33	A-/Baa2/A
	<u>\$ 600,000</u>				<u>\$ (178,940)</u>	<u>\$ (78,747)</u>		

[^] Securities Industry and Financial Market Association
[^] London Interbank Offered Rate
(1) All bond issues are tax-exempt debt instruments.
(2) Includes accrued interest.
(3) The fair value is classified as a derivative instrument liability on the Statement of Net Assets.
(4) The change in fair value is classified as a deferred outflow of resources on the Statement of Net Assets.
(5) Credit rating companies: Standard and Poor's (S&P)/Moody's Investors Services/Fitch Rating Services

Mark-to-Market valuations shown above are received by the State from each of the counterparties. Each firm has its own proprietary method of deriving valuations and there are no guarantees that actual trades could be completed at such values. At the end of the fiscal year, the variable rate received by the State was the SIFMA rate (0.18% was in effect on June 30, 2012) as the LIBOR rate was below 2.5%.

During all of fiscal year 2012, the floating rate received was SIFMA. The payments are computed on a combined Agreement amount which is equal to the 2003B bonds' principal outstanding and reduces as the 2003B bonds' principal is repaid. Further, the frequency of rate resets of the 2003B bonds and the Agreements are identical.

The fair value balance of the derivatives and related changes during the fiscal year are shown on the Government-wide Statement of Net Assets under derivative instrument liabilities and deferred outflows, respectively.

Risks

Credit risk

As of June 30, 2012, the State was not exposed to credit risk because the swap agreements had a negative fair value. If interest rates change and the fair value of the swaps become positive, the State would be exposed to credit risk. If the State wished to exit from the Agreements, the counterparties may not have the resources to pay that positive value to the State. If the credit ratings of the liquidity provider deteriorate, the amount of floating interest on the 2003B general obligation bonds may increase relative to the amount of the floating index received under the Agreements, thus requiring the State to pay any difference or shortfall. This will result in the projected savings of the synthetic rate structure not being realized. Conversely, if ratings of the State and Liquidity Provider improve relative to the market, the amount of the floating index received under the Agreements may exceed the amount of interest required for the 2003B bonds, resulting in additional receipts to the State and a greater than expected savings. During fiscal year 2012, the State experienced higher rates of interest on the 2003B bonds relative to the floating rates under the Agreements due to the credit ratings of the Liquidity Provider. Current credit ratings of the Liquidity Provider are BBB+/F2 by Fitch Ratings, Baa3/P-3 by Moody's and BBB/A-2 by Standard and Poor's.

Interest rate risk

During fiscal year 2012, declining interest rates adversely affected the fair value of the Agreements.

Basis risk

Since the floating index under the Agreement is based on LIBOR (when LIBOR is greater than 2.5%), the State bears exposure to changing interest rate relationships between tax exempt and taxable debt markets. Should the value of tax exempt interest decrease in relation to taxable interest (as a result of a further lowering of income tax rates among other causes), tax exempt interest rates may rise (which the State pays on its 2003B general obligation bonds in the form of SIFMA) in relation to the floating interest rate index (which the State receives under the Agreements in the form of 67% of one month LIBOR when the Agreement is in LIBOR mode). If this were to occur, the State would pay any difference or shortfall. Conversely, if the value of tax exempt interest relative to taxable interest were to increase such that tax exempt interest rates decrease when compared to 67% of one month LIBOR (when the Agreements are in LIBOR mode), the floating index received under the Agreements could exceed the amount of interest required for the 2003B bonds, resulting in additional receipts for the State.

Termination risk

Should the State or a counterparty fail to perform under the terms of the Agreement, there may be a termination of the Agreement. In such an event the State may incur an unhedged variable rate position with its 2003B general obligation bonds and potentially owe a net termination payment if the market value of the contract is negative. Posting collateral by the counterparty (in the form of cash, unconditional Treasury obligations or Treasury guaranteed agency securities), if required by

the credit rating of the counterparty, protects the State's interest against the counterparty's failure when the market value is in favor of the State. The State is never required to post collateral when the value is in favor of the counterparty (as is the case as of June 30, 2012).

Rollover risk

All of the swap agreements discussed above have been structured to protect the State from exposure to rollover risk.

As of June 30, 2012, debt service requirements of outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms are as follows:

Table 14-2 (amounts expressed in thousands)				
Swap Payments and Associated Debt				
Variable Rate Debt				
Primary Government				
Year Ending June 30	Governmental Activities			
	Principal	Interest	Interest Rate Swaps, Net	Total
2013	\$ -	\$ 12,000	\$ 22,260	\$ 34,260
2014	-	12,000	22,260	34,260
2015	-	12,000	22,260	34,260
2016	-	12,000	22,260	34,260
2017	-	12,000	22,260	34,260
2018-2022	98,800	58,362	108,262	265,424
2023-2027	211,800	36,656	67,997	316,453
2028-2032	230,200	14,342	26,604	271,146
2033-2035	59,200	1,550	2,875	63,625
Total	\$ 600,000	\$ 170,910	\$ 317,038	\$ 1,087,948

As rates vary, variable rate bond interest payments and net swap payments will vary.

Investment Derivatives - Pensions

Certain State agencies, principally the Illinois State Board of Investment ("ISBI"), the Teachers' Retirement System ("TRS"), and the State Universities Retirement System ("SURS"), invest in derivative securities. These derivative securities have been authorized by the policies of the applicable State agencies and the Illinois Compiled Statutes. ISBI, TRS, and SURS invest in the following types of derivatives: foreign currency forward contracts, rights, warrants, financial futures, financial options, swaps, and swaptions.

Foreign currency forward contracts are used to hedge against the currency risk in agencies' foreign stock and fixed income security portfolios. Foreign currency forward contracts are agreements to purchase or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed upon price. Fluctuations in the market value of foreign currency forward contracts are recognized as incurred rather than at the maturity or settlement date of the contract. Investment managers use these contracts primarily to hedge the currency exposure of the agencies' investments.

Financial futures are agreements to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. Investment managers use financial futures to improve yield, adjust the duration of the fixed income portfolio, circumvent changes in interest rates, or to replicate an index. Futures contracts are standardized and traded on organized exchanges, thereby minimizing the agencies' credit risk. The net change in the futures contracts value is settled daily with the exchanges. Because of daily settlement, the futures contracts have

no fair value. As the market value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse.

Financial options are used by investment managers in an attempt to add value to the portfolio or protect a position in the portfolio. Financial options are agreements that give one party the right, but not the obligation, to purchase or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As writers of financial options, the agencies receive a premium at the outset of the agreement and bear the risk of an unfavorable change in the price of the financial instrument underlying the option. Premiums received are recorded as a liability when the financial option is written. As a purchaser of financial options, the agencies pay a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Premiums paid are recorded as an asset when the financial option is purchased. Fluctuations in the fair value of financial options are recognized in the financial statements as incurred rather than at the time the options are exercised or when they expire.

Swaps are agreements to exchange future cash flows. The agencies utilize the following types of swaps:

- a) Credit default swaps are financial instruments used to replicate the effect of investing in debt obligations of corporate bond issuers as a means to manage bond exposure, effectively buying or selling insurance protection in case of default. Credit default swaps may be specific to an individual security or to a specific market sector (index swaps).
- b) Interest rate swaps are agreements between parties to exchange a set of cash flow streams over a period of time. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate.
- c) Inflation-linked swaps are agreements where a fixed payment is exchanged for a variable payment linked to an inflation index. These swaps can protect against unfavorable changes in inflation expectations and are used to transfer inflation risk from one counterparty to another. Inflation-linked swaps initially have no net value; the value of the swap's outstanding payments will change as interest and inflation rates change. The value may be either positive or negative.
- d) Total return swaps are agreements that involve a stream of payments based on a set rate, either fixed or variable, by one party while the other party makes payments based on the return of the underlying asset, which includes both the income it generates and any capital gains.

Swaptions are options on swaps that give the purchaser the right, but not the obligation, to enter into a swap at a specific date in the future.

Rights and warrants allow investment managers to replicate an underlying security they wish to hold (sell) in the portfolio. Rights and warrants provide the holder with the right, but not the obligation, to buy or sell a company's stock at a predetermined price. Rights usually expire after a few weeks and warrants can expire from one to several years.

At June 30, 2012, investment derivatives are reported as investments in the Statement of Fiduciary Net Assets. The change in fair value of derivative investments is included in investment income on the Statement of Changes in Fiduciary Net Assets. Following are summaries of investment derivatives held at each agency at June 30, 2012:

ISBI

Table 14-3 (amounts expressed in thousands)			
Investment Derivatives	Fair Value at June 30, 2012	Change in Fair Value	Notional*
Currency Forwards	\$ (44)	\$ (1,694)	N/A
Futures	N/A	N/A	\$ (16,717)
Options	2,811	2,744	27
Rights	30	(167)	153
Warrants	68,677	(9,022)	7,664
Grand Totals	\$ 71,474	\$ (8,139)	\$ (8,873)
* Notional amounts represent financial exposure to these instruments in U.S. dollars.			

TRS

Table 14-4 (amounts expressed in thousands)			
Investment Derivatives	Fair Value at June 30, 2012	Change in Fair Value	Notional*
Rights	\$ 384	\$ 531	\$ 1,123
Warrants	4,395	(918)	700
Currency Forwards			
Purchases	1,979,648		
Sales	(1,964,297)		
	<u>15,351</u>	<u>35,695</u>	<u>-</u>
Futures**			
U.S. Stock Index Futures Long	-	(767)	52,395
U.S. Stock Index Futures Short	-	(991)	-
Fixed Income Futures Long	-	24,464	483,319
Fixed Income Futures Short	-	(12,114)	(159,965)
Commodity Futures Long	-	(6,214)	21,478
Commodity Futures Short	-	2,696	-
	<u>-</u>	<u>7,074</u>	<u>397,227</u>
Options**			
U.S. Equity Put Index Options Purchased	881	(10,943)	5,445
U.S. Equity Put Index Options Written	(54)	2,812	1,624
Currency Forward Put Options Purchased	936	(2,265)	7,810
Currency Forward Put Options Written	-	109	-
Currency Forward Call Options Purchased	129	209	2,454
Currency Forward Call Options Written	(1)	42	52
Inflation Put Options Written	(37)	28	22,600
Options on Futures Bought	121	(3,132)	13,236
Options on Futures Written	(91)	1,927	19,612
	<u>1,884</u>	<u>(11,213)</u>	<u>72,833</u>
Swaptions			
Swaptions Bought	3,699	(3,684)	21,572
Swaptions Written	(2,731)	5,207	40,081
	<u>968</u>	<u>1,523</u>	<u>61,653</u>
Credit Default Swaps			
Credit Default Swaps Buying Protection	2,502	(1,778)	266,705
Credit Default Swaps Selling Protection	643	(12,443)	339,862
	<u>3,145</u>	<u>(14,221)</u>	<u>606,567</u>
Interest Rate Swaps			
Pay Fixed Interest Rate Swaps	(164)	(18,874)	6,751
Receive Fixed Interest Rate Swaps	1,462	7,083	51,864
	<u>1,298</u>	<u>(11,791)</u>	<u>58,615</u>
Inflation-linked Swaps			
Receive Fixed Inflation Swaps	2	2	1,102
Grand Totals	\$ 27,427	\$ 6,682	\$ 1,199,820
* Notional amounts represent financial exposure to these instruments in U.S. dollars.			
** Notional values do not represent actual values in the Statement of Fiduciary Net Assets.			

Interest rate risk for derivative securities is disclosed in Note 3. Both interest rate and inflation rate swaps have fair values that are sensitive to interest rate changes. TRS had the following interest rate and inflation swaps at June 30, 2012.

Table 14-5 (amounts expressed in thousands)
Interest Rate and Inflation Swaps

Asset Description	Par	Gross Notional*	TRS Receives	TRS Pays	Maturity Date	Fair Value June 30, 2012
Pay Fixed Interest						
Rate Swaps						
United States Dollar	2,500	\$ 2,500	3 mo. LIBOR	2.75%	6/20/2042	\$ (132)
British Pound Sterling	2,700	4,251	6 mo. LIBOR	3.00%	3/21/2042	(32)
		<u>\$ 6,751</u>				<u>\$ (164)</u>
Receive Fixed Interest						
Rate Swaps						
Mexican Peso	55,600	\$ 4,182	5.50% to 6.35%	4 wk. Mexican TIE [^]	9/6/2016-6/2/2021	\$ 41
Australian Dollar	10,200	10,488	4.00% to 4.25%	6 mo. Australian Bank Bill	3/15/2023	32
British Pound Sterling	5,500	9,024	2.50%	6 mo. LIBOR ^{^^}	3/21/2022	338
United States Dollar	2,000	2,008	1.50%	3 mo. LIBOR ^{^^}	3/18/2016	8
Brazilian Real	50,700	26,162	9.97% to 11.94%	3 mo. Brazilian CDI ^{^^^}	1/2/2014-1/2/2015	1,043
		<u>\$ 51,864</u>				<u>\$ 1,462</u>
Receive Fixed Inflation						
Linked Swaps						
United States Dollar	1,100	<u>\$ 1,102</u>	1.50%	U.S. CPI ^{^^^^} URNSA ^{^^^^}	11/2/2012	<u>\$ 2</u>

* Includes income/accrued payable amounts

[^] TIE - Mexico Interbank Equilibrium Interest Rate
^{^^} LIBOR - London Interbank Offered Rate
^{^^^} CDI - Cetip Interbank Deposit (interbank lending rate)
^{^^^^} CPI - Consumer Price Index
^{^^^^} URNSA - Urban Consumers NSA Index Rate

SURS

Table 14-6 (amounts expressed in thousands)

Investment Derivatives	Fair Value at June 30, 2012	Changes in Fair Value	Notional*
Rights and Warrants	\$ 149	\$ (4,948)	\$ 458
Currency Forwards			
Purchases	1,957	(1,736)	
Sales	(2,532)	1,771	
	<u>(575)</u>	<u>35</u>	<u>-</u>
Futures			
Equity Derivatives Long	5,540	2,620	210,230
Fixed Income Long	(90)	(227)	151,475
Fixed Income Short	44	24	(5,080)
	<u>5,494</u>	<u>2,417</u>	<u>356,625</u>
Options			
Fixed Income Call	(172)	69	(53,800)
Fixed Income Put	(17)	2,002	(7,900)
Cash and Cash Equivalents Call	-	24	-
Cash and Cash Equivalents Put	53	59	3,934
	<u>(136)</u>	<u>2,154</u>	<u>(57,766)</u>
Swaptions			
Call	(1,217)	(875)	(84,100)
Put	74	231	(519,892)
	<u>(1,143)</u>	<u>(644)</u>	<u>(603,992)</u>
Swaps			
Credit Default			
Buying Protection	9,768	5,226	629,777
Selling Protection	781	(2,278)	355,895
	<u>10,549</u>	<u>2,948</u>	<u>985,672</u>
Inflation-linked Swaps			
Total Return	772	(943)	17
Pay Fixed Interest Rate	(3,694)	7,885	91,500
Receive Fixed Interest Rate	3,826	1,438	315,658
	<u>11,453</u>	<u>11,328</u>	<u>1,392,847</u>
Grand Totals	<u>\$ 15,242</u>	<u>\$ 10,342</u>	<u>\$ 1,088,172</u>

* Notional amounts represent financial exposure to these instruments in U.S. dollars.

Interest rate risk for derivative securities is disclosed in Note 3. Both interest rate and inflation rate swaps have fair values that are sensitive to interest rate changes. SURS had the following interest rate and inflation swaps at June 30, 2012.

Table 14-7 (amounts expressed in thousands)
SURS Interest Rate Swaps

Pay Fixed / Receive Fixed	Notional Amount	SURS Rate	Counterparty Rate	Fair Value June 30, 2012
pay fixed	\$ 91,500	2.0% to 2.75%	3 mo. LIBOR ^	\$ (3,694)
receive fixed	\$ 108,820	3 mo. LIBOR ^	2.0% to 5.0%	\$ (25,617)
receive fixed	57,900	Daily CDI ^	9.97% to 10.58%	17,631
receive fixed	3,300	3 mo. CDOR ^	2.0% to 6.2%	(276)
receive fixed	118,373	6 mo. EURIB ^	2.5% to 3.5%	11,758
receive fixed	12,544	28 day TIE ^	5.5% to 5.6%	(1,258)
receive fixed	14,721	6 mo. BBSW ^	3.75%	1,588
	<u>\$ 315,658</u>			<u>\$ 3,826</u>

^ LIBOR - London Interbank Offered Rate
 ^ CDI - Cetip Interbank Deposit
 ^ CDOR - Canadian Dealer Offered Rate
 ^ EURIB - Euro Interbank Offered Rate
 ^ TIE - Mexico Interbank Equilibrium Interest Rate
 ^ BBSW - Australian Bank Bill Short Term

Credit risk

Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the established terms. In order to eliminate credit risk, all derivative securities of ISBI, TRS, and SURS are done through a clearinghouse which guarantees delivery and accepts the risk of default by either party. Derivatives which are exchange traded are not subject to credit risks. None of the agencies have a policy regarding master netting arrangements.

ISBI: ISBI's derivative investments in forward currency contracts are held with counterparties. The credit ratings and net exposure as of June 30, 2012 for each of the counterparties are as follows:

Table 14-8 (expressed in thousands)

Moody's Rating	Fair Value	Net Exposure	Percentage of Net Exposure
Aa3	\$ 45	\$ 45	11%
Aa2	47	47	12%
A3	85	85	22%
A2	65	65	17%
A1	3	3	1%
Baa1	146	146	37%
	<u>\$ 391</u>	<u>\$ 391</u>	<u>100%</u>

TRS: Non-exchange traded derivative instruments may expose TRS to credit/counterparty risk. Credit risk is reduced by evaluating the credit quality and operational capabilities of counterparties. Because the counterparty risk of a security will fluctuate with market movements,

all TRS managers using non-exchange traded derivatives operate a collateral call process ensuring full collateralization of its derivatives.

The aggregate fair value of non-exchange traded derivative instruments in asset positions at June 30, 2012 was \$40.472 million, as shown in the table below. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Table 14-9 (amounts expressed in thousands)	
Moody's Quality Rating	
Aaa	\$ 24
Aa1	278
Aa2	306
Aa3	3,314
A1	7,100
A2	21,652
A3	5,256
Baa1	2,473
Baa2	69
Total subject to credit risk	\$ 40,472

Although the derivative instruments held within the TRS investment portfolio are executed with various counterparties, approximately 85 percent of the net market value exposure to credit risk is for non-exchange traded derivative contracts held with seven counterparties.

SURS: The maximum loss that would be recognized at June 30, 2012, if all counterparties fail to perform as contracted is \$48.5 million. This maximum exposure is reduced by \$3.5 million in collateral held and approximately \$38.5 million of liabilities, resulting in \$6.5 million net exposure to credit risk. At June 30, 2012, the counterparties' credit ratings for currency forwards, swaptions and swaps subject to credit risk are as follows:

Table 14-10 (amounts expressed in thousands)				
Quality Rating	Forwards	Swaptions	Swaps	Total
AA	\$ -	\$ -	\$ 666	\$ 666
A	-	(1,143)	7,797	6,654
No Rating	(575)	-	2,990	2,415
Total Subject to Credit Risk	\$ (575)	\$ (1,143)	\$ 11,453	\$ 9,735

Hedging Derivatives - Major Component Units

Several component units of the State have entered into various hedging derivative instrument agreements. The agreements are reported in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balance of the derivatives, including any change during the fiscal year, is shown on the Statement of Net Assets for Component Units and the Government-wide Statement of Net Assets under deferred outflow of resources and derivative instrument-swap liabilities. Component units with hedging derivative instrument agreements include the Illinois Housing Development Authority ("IHDA"), the Illinois State Toll Highway Authority ("THA") and the University of Illinois ("U of I").

IHDA: The IHDA has one active swap contract, three interest rate caps and one forward (pending) interest rate cap. All are considered cash flow hedges. The objective of the one pay-fixed, receive variable, interest rate swap agreement is to achieve a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the IHDA issued fixed-rate debt. The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

The objective of the four interest rate cap agreements is to establish a maximum debt service which may be paid over the life of the underlying bonds. The notional amount of the swap and rate caps match the principal amount of the associated debt. The Authority's swap and cap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or an anticipated reduction in the associated bonds payable category. The fair value of the interest rate swap and rate caps were estimated using data provided by the counterparties.

THA: The THA has entered into ten separate variable-to-fixed rate interest rate exchange agreements (swaps) in connection with its three variable rate bond issues. One of the swaps associated with the Series 2008 A-2 Bonds was terminated on June 10, 2010 in connection with the Tollway's refunding of a portion of its 2008 Series A-2 Bonds on July 1, 2010. As a result, nine of the ten swaps were outstanding as of December 31, 2011 (THA's fiscal year-end). The objective of the agreements is to obtain a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the THA issued fixed rate debt. The swaps' fair market values were estimated by the respective counterparties and were confirmed by the THA.

U of I: The U of I has entered into three separate pay-fixed, receive variable interest rate swap agreements in connection with certain bond issues and into one pay-fixed, receive variable interest rate swap in connection with its Certificates of Participation. All are considered cash flow hedges.

The objective of these swaps was to effectively change the U of I's variable interest rate on the debt to a synthetic fixed rate. The notional amount of the interest rate swaps on the bonds is equal to the par amount of the related bonds, except for Health Services Facilities System Revenue Bonds Series 2008, of which \$330 thousand is not covered by the swap agreement. The notional amount of the interest rate swap for the Certificates of Participation is equal to the par amount of the related Certificates of Participation. All of the swap agreements were entered at the same time as the related debt was issued and terminate with maturity. No cash was paid or received when the original swap agreements were entered into. The U of I engaged a third-party consultant to calculate the market value of each swap transaction.

In 2008, the U of I entered into a novation agreement which terminated the HSFS Series 2008 interest rate swap agreement with Lehman Brothers Commercial Bank ("LBCB") and entered into a new interest rate swap agreement with Loop Financial Products I LLC ("Loop") with the same terms and conditions present in the original agreement. In fiscal year 2009, the U of I recorded \$3.665 million as a liability representing the mark-to-market value of the swap at the date the transaction was negotiated between LBCB and Loop. The unamortized balance of the financing payable under the swap agreement was \$3.240 million at June 30, 2011.

During fiscal year 2012, the U of I adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53. Implementation of the pronouncement required the U of I to eliminate the accounting treatment previously applied when the event occurred through a retroactive adjustment to beginning net assets. The U of I recorded an effect of change in accounting principal to beginning net assets of \$2.046 million consisting of a retroactive adjustment of \$3.240 million, representing the elimination of the unamortized financing payable which was recognized when the interest rate swap agreement novated from LCB to Loop in fiscal year 2009 offset by a retroactive adjustment of \$1.194 million. The \$1.194 million adjustment represents the re-establishment of the difference between the deferred outflow of resources and derivative instrument-swap liability due to the interest rate swap agreement being disassociated with the Variable Rate Demand Health Services Facilities System Revenue Bonds, Series 2007, due to its refunding in fiscal year 2008.

The following table displays the terms of the various hedging derivative instruments of the major component units outstanding at June 30, 2012 (except for the THA, for which the fiscal year end is December 31, 2011), along with the credit rating of the associated counterparty.

Associated Bond Issue (1)	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values (2)(3)	Change in Fair Value (4)	Swap Termination Date	Counterparty Credit Rating (5)
Major Component Units								
IHDA								
Interest Rate Swap Contracts								
HMRB*								
Series 2001F	\$ 10,000	1/02	6.615%	1 mo. LIBOR ^{^^} +40bp ^{^^^}	\$ (3,183)	\$ (599)	8/20	A-/Baa2/-
Interest Rate Cap								
HB**								
Series 2008A	13,090	1/08	5.75%	N/A	-		12/12	A+/Aa3/-
Series 2008A	13,090	1/13	5.75%	N/A	28		12/17	AA-/Aa1/-
Series 2008B	33,285	7/11	5.5%	N/A	21		6/16	A/A2/-
Series 2008C	5,270	6/06	4.75%	N/A	58		6/21	A/A3/-
	<u>64,735</u>				<u>107</u>	<u>(320)</u>		
	<u>\$ 74,735</u>				<u>\$ (3,076)</u>	<u>\$ (919)</u>		
THA-								
Interest Rate Exchange Agreements								
Series 1998B	\$ 67,705	12/98	4.325%	Actual bond rate	\$ (11,751)		1/17	AAA/Aa1/-
Series 1998B	55,395	12/98	4.325%	Actual bond rate	(9,615)		1/17	A+/Aa1/-
Series 2007 A-1	175,000	11/07	3.972%	SIFMA [^] 7 day Municipal Swap Index	(45,400)		7/30	A/A1/-
Series 2007 A-1	175,000	11/07	3.972%	SIFMA [^] 7 day Municipal Swap Index	(45,400)		7/30	A-/Aa3/-
Series 2007 A-2	262,500	11/07	3.9925%	SIFMA [^] 7 day Municipal Swap Index	(68,860)		7/30	A/A2/-
Series 2007 A-2	87,500	11/07	3.9925%	SIFMA [^] 7 day Municipal Swap Index	(22,953)		7/30	AA-/Aa3/-
Series 2008 A-1	191,550	2/08	3.774%	SIFMA [^] 7 day Municipal Swap Index	(41,396)		1/31	AA-/Aa1/-
Series 2008 A-1	191,550	2/08	3.774%	SIFMA [^] 7 day Municipal Swap Index	(41,375)		1/31	A+/Aa3/-
Series 2008 A-2	95,775	2/08	3.764%	SIFMA [^] 7 day Municipal Swap Index	(20,558)		1/31	A/A2/-
	<u>\$ 1,301,975</u>				<u>\$ (307,308)</u>	<u>\$ (187,843)</u>		
U of I								
Interest Rate Swap Contracts								
Revenue Bonds								
Series 2008 (South Campus)	\$ 26,958	2/06 ^{***}	4.086%	68% of 1 mo. LIBOR ^{^^}	\$ (4,967)		1/22	A-/Baa1/-
Series 2008 (South Campus)	26,472	2/06 ^{***}	4.092%	68% of 1 mo. LIBOR ^{^^}	(4,870)		1/22	A+/Aa3/-
Series 2008 (Health Services Facility System)	39,750	11/08 ^{***}	3.534%	68% of 1 mo. LIBOR ^{^^}	(7,224)		10/26	A+/A2/-
Certificates of Participation								
Series 2004	125,280	3/04	3.765%	SIFMA [^] Municipal Swap Index	(20,108)		8/21	A-/Baa1/-
	<u>\$ 218,460</u>				<u>\$ (37,169)</u>	<u>\$ (14,250)</u>		
~ As of 12/31/2011 (THA's fiscal year-end).								
* Homeowner Mortgage Revenue Bonds ^ Securities Industry and Financial Market Association								
** Housing Bonds ^^ London Interbank Offered Rate								
*** Swap agreement was transferred from original issue to the refunded bond issue. ^^ Basis points								
(1) All bond issues are taxable debt instruments.								
(2) Includes accrued interest.								
(3) The fair value is classified as a derivative instrument liability on the Statement of Net Assets except THA's.								
(4) The change in fair value is classified as a deferred outflow of resources on the Statement of Net Assets except for THA's.								
(5) Credit rating companies: Standard and Poor's (S&P)/Moody's Investors Services/Fitch Rating Services								

Risks

Credit risk

IHDA: As interest rates change and the fair value becomes positive, IHDA is exposed to credit risk in the amount of the swap's or caps' fair value. As of June 30, 2012, IHDA was not exposed to credit risk for the swap that had negative fair value. IHDA is exposed to credit risk on the caps with positive fair value. The aggregate fair value of hedging derivative instruments with positive fair value at June 30, 2012 was \$107 thousand. This represents the maximum loss that would be recognized at June 30, 2012 if all counterparties failed to perform as contracted as no collateral is in place. Fair value is a factor only upon termination. The counterparty with the largest notional amount holds 45% of the total notional amount of the outstanding swaps. IHDA does not have a policy regarding master netting arrangements.

THA: At December 31, 2011 (THA's fiscal year-end), THA was not exposed to credit risk because of the negative fair values of the swaps. If changes in interest rates were to create positive market values for the swaps in the future, the THA would be exposed to credit risk in the amount of those positive fair values. The swaps require full collateralization from the counterparty of any positive fair value of the swaps in the event a counterparty's credit rating falls below a Standard & Poor's rating of A- or a Moody's Investor Services' rating of A3. The swaps require such collateral to be held by a third party custodian in the form of cash, debt obligations issued by the U.S. Treasury or debt issued by federally sponsored agencies. The nine swaps outstanding at December 31, 2011 are with eight different counterparties from seven different financial firms. The counterparty with the largest notional amount holds 28% of the total notional amount of the outstanding swaps. THA does not have a policy regarding master netting arrangements.

U of I: As of June 30, 2012 the U of I was not exposed to credit risk because its swaps had a negative fair value. If interest rates change and the fair value of the swaps become positive, the U of I would be exposed to credit risk in the amount of the derivatives' fair values. Since they are negative numbers, they represent an approximation of the amount of money the U of I may have to pay a swap provider to terminate the swap. The counterparty may have to post collateral in the U of I's favor in certain conditions, and the U of I would never be required to post collateral in the counterparty's favor. At June 30, 2012, one counterparty held 70%, another held 18%, and a third held 12% of the total notional amount of the outstanding swaps. U of I does not have a policy regarding master netting arrangements.

Interest rate risk

IHDA: Because interest rates have declined since the implementation of the swap agreement, it had a negative fair value as of June 30, 2012. The negative fair value may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the IHDA's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

THA: Low interest rates contributed to the negative market valuations at December 31, 2011. At the time of the swaps, the synthetic fixed rates achieved by the swaps were less than the fixed rates that could have been achieved by issuing fixed rate bonds.

U of I: During fiscal year 2012, declining interest rates exposed the U of I to interest rate risk, which adversely affected the fair values of the swap agreements.

Basis risk

IHDA: Basis risk on a swap occurs when the variable payment received is based on an index other than the index on the underlying bonds. IHDA believes its swap agreement has been structured to minimize or eliminate this risk.

THA: The THA has implemented a strategy on the swaps associated with the Series 1998B, Series 2007 A-1, Series 2007 A-2, Series 2008 A-1, and Series 2008 A-2 bonds, which was designed to provide a synthetic fixed rate below the traditional fixed interest rate available at the time of the financings, producing interest rate savings to the THA. The swaps expose the THA to basis risk should the variable interest rate on the bonds and the SIFMA Index diverge. If an unfavorable divergence occurs, the expected cost savings may not be realized. As of December 31, 2011 (THA's fiscal year-end), the SIFMA rate in effect for the swaps was 0.18%.

U of I Bonds: The swaps expose the U of I to basis risk should the relationship between LIBOR and the variable weekly rate determined by remarketing agents change, changing the synthetic rate on the bonds. If a change occurs that results in the difference in rates widening, the expected cost savings may not be realized.

U of I Certificates of Participation: Starting in fiscal year 2006, the notional value of the swap and the principal amount of the associated Certificates began to decline. Conversely, the Certificates' variable interest rates are expected to approximate SIFMA. For fiscal year 2012, the Certificates' average variable interest rate was the same as SIFMA. The swap exposes the U of I to basis risk should the relationship between SIFMA and the variable weekly rate determined by remarketing agents converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates widening, the expected cost savings may not be realized.

Termination risk

IHDA: IHDA or the counterparty may terminate the swap agreement if the other party fails to perform under the terms of the agreement. If a swap is insured, a termination event occurs if the insurer fails to meet the obligations under the agreement.

THA: The THA or the counterparties may terminate any of the swaps if the other party fails to perform under terms of the swaps. If a swap were terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates. In addition, if the swap has a negative market value at the time of termination, the THA would be liable to the counterparty for a payment equal to the swap's market value.

U of I: The U of I has the option to terminate any of its swaps early. The U of I or the counterparties may terminate a swap if the other party fails to perform under the terms of the contract. The U of I may terminate a swap if both credit ratings of the counterparties fall below BBB+ as issued by Standard & Poor's and Baa1 as issued by Moody's Investors Services. If a swap is terminated, the variable-rate debt would no longer carry a synthetic fixed interest rate. In addition, if at the time of termination, a swap has a negative fair value, the U of I would be liable to the counterparties for a payment equal to the swap's fair value.

Rollover risk

IHDA: IHDA is not exposed to rollover risk on its swap agreement. IHDA is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, IHDA will be re-exposed to the risks being hedged by the hedging derivative instrument. IHDA is exposed to rollover risk on the caps which have termination dates that occur prior to the maturity of the related bonds.

THA: THA is not exposed to rollover risk, as all swap agreements are for periods that match the maturities of the related bonds.

U of I: The U of I is not exposed to rollover risk on its swap agreements since the swap agreements extend to the maturity of the related debt.

As of June 30, 2012, (except for the THA which is as of December 31, 2011), debt service requirements of outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms are as follows:

Table 14-12 (amounts expressed in thousands)

Swap Payments and Associated Debt**Variable Rate Debt****Major Component Units**

Year Ending June 30	Illinois Housing Development Authority				Illinois State Toll Highway Authority			
	Principal	Interest	Interest Rate Swaps, Net	Total	Principal	Interest	Interest Rate Swaps, Net	Total
2013	\$ 1,845	\$ 176	\$ 597	\$ 2,618	\$ -	\$ 1,411	\$ 49,838	\$ 51,249
2014	1,950	172	597	2,719	-	1,411	49,838	51,249
2015	2,060	167	598	2,825	-	1,411	49,838	51,249
2016	3,070	164	598	3,832	-	1,411	49,838	51,249
2017	4,290	150	508	4,948	53,900	1,303	47,614	102,817
2018-2022	19,935	497	837	21,269	79,450	5,793	222,882	308,125
2023-2027	24,260	268	-	24,528	349,125	5,231	202,019	556,375
2028-2032	5,415	58	-	5,473	819,500	1,603	62,053	883,156
2033-2037	2,060	26	-	2,086	-	-	-	-
2038-2042	1,360	8	-	1,368	-	-	-	-
Total	\$ 66,245	\$ 1,686	\$ 3,735	\$ 71,666	\$ 1,301,975	\$ 19,574	\$ 733,920	\$ 2,055,469

Year Ending June 30	University of Illinois-Revenue Bonds				University of Illinois-Certificates of Participation			
	Principal	Interest	Interest Rate Swaps, Net	Total	Principal	Interest	Interest Rate Swaps, Net	Total
2013	\$ 4,315	\$ 163	\$ 3,344	\$ 7,822	\$ 125,280	\$ 401	\$ 4,706	\$ 130,387
2014	6,530	155	3,152	9,837	-	-	-	-
2015	6,830	144	2,904	9,878	-	-	-	-
2016	7,050	133	2,646	9,829	-	-	-	-
2017	7,735	120	2,371	10,226	-	-	-	-
2018-2022	45,195	386	7,103	52,684	-	-	-	-
2023-2027	15,855	88	1,251	17,194	-	-	-	-
Total	\$ 93,510	\$ 1,189	\$ 22,771	\$ 117,470	\$ 125,280	\$ 401	\$ 4,706	\$ 130,387

As rates vary, variable rate bond interest payments and net swap payments will vary.

15 REFUNDINGS OF LONG-TERM OBLIGATIONS

A. Advance Refundings

During the year ended June 30, 2012, the State and the University of Illinois, a major component unit, issued advanced refunding debt to lower interest rates. These revenue bonds were issued to refund portions of earlier bond issuances. The principal of the refunded debt of the State will be redeemed on various dates through 2014 at a redemption price of 100%. At June 30, 2012, the outstanding balance of the State's defeased debt was \$973.3 million. The principal of the refunded debt of the University of Illinois will be redeemed on various dates through 2013 at a redemption price of 100%. At June 30, 2012, the outstanding balance of the defeased debt was \$14.1 million.

Proceeds from the bond sales were placed in irrevocable trusts that are used to service the debt requirements of the old debt until redemption. As a result, the refunded bonds are considered to be defeased and the liability for the debt has been removed from the financial statements of the State and of the University of Illinois, respectively.

Advance refunding issued during fiscal year 2012 was as follows:

Table 15-1 (amounts expressed in thousands)

	Par Value of Refunding Issue	Refunding Issue Interest Rates	Par Value of Bonds Refunded	Interest Rates of Bonds Refunded	Debt Service Decreased by Refunding	Refunding Economic Gain (Loss)	Accounting Gain/(Loss)
Primary Government							
Governmental Activities							
General Obligation Bonds:							
Series 2012 (May)	<u>\$ 1,797,740</u>	1.6% to 5.0%	<u>\$ 1,857,790</u>	3.5% to 5.375%	<u>\$ 225,201</u>	<u>\$ 156,895</u>	<u>\$ (39,422)</u>
Major Component Units							
University of Illinois							
AFS Series 2011 A (July)	\$ 81,970	3.0% to 5.5%	\$ 13,790	4.6% to 5.25 %	\$ 1,284	\$ 907	\$ (430)
AFS Series 2011 B (July)	10,875	2.105% to 4.517%	10,435	6.41% to 7.0%	1,851	1,499	(305)
AFS Series 2011 C (Jan)	71,900	2.0% to 5.0%	71,030	5.0% to 5.25%	9,971	7,452	102
	<u>\$ 164,745</u>		<u>\$ 95,255</u>		<u>\$ 13,106</u>	<u>\$ 9,858</u>	<u>\$ (633)</u>

B. Prior Year Refundings

In prior years, the State defeased certain callable maturities of general obligation, special obligation, and revenue bonds and certificates of participation by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the State's financial statements. At June 30, 2012, the outstanding balances of prior year defeased debt were as follows (except for the State Toll Highway Authority, which is as of December 31, 2011):

Table 15-2 (amounts expressed in thousands)

	Primary Government	Major Component Units		
	Governmental Activities	Illinois Housing Development Authority	Illinois State Toll Highway Authority	Illinois State University
General obligation bonds	\$ 198,725	\$ -	\$ -	\$ -
Special obligation bonds	109,970	-	-	-
Revenue bonds	-	24,330	708,340	7,917
	<u>\$ 308,695</u>	<u>\$ 24,330</u>	<u>\$ 708,340</u>	<u>\$ 7,917</u>

16 RETIREMENT SYSTEMS

Plan Descriptions. The State of Illinois sponsors five public employee retirement systems that are included in the State's financial statements as pension trust funds.

The General Assembly Retirement System ("GARS"), Judges' Retirement System ("JRS"), and State Employees' Retirement System ("SERS") are the administrators of single-employer defined benefit pension plans. The GARS, JRS, and SERS are governed by articles 2, 18, and 14, respectively, of the Illinois Pension Code (40 ILCS 5/1, et. al.).

The Teachers' Retirement System ("TRS") is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan with a "special funding situation" as described below. It provides coverage to teachers employed by public school districts in Illinois (excluding Chicago) even though most covered employees are not State employees. There are 864 local school districts, 138 special districts, and 22 other State agencies that contribute to the TRS plan.

The State Universities Retirement System ("SURS") is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan and a defined contribution plan with a "special funding situation" as described below. The SURS provides coverage to faculty and staff of State universities, community colleges, and related agencies, of which some covered employees are not State employees. There are 9 universities, 39 community college districts, and 15 other State agencies that contribute to the SURS plan.

The State of Illinois is legally mandated to make contributions to the TRS and SURS. Because the State contributes most of the TRS and SURS employer contributions, the single employer provisions of GASB Statement No. 27 have been followed for reporting those systems in the statewide CAFR. The TRS and SURS are governed by articles 16 and 15, respectively, of the Illinois Pension Code.

Effective January 1, 1998, legislation established an alternative defined benefit program known as the Portable Benefit Option Plan within the SURS. This option is offered in addition to the existing traditional benefit option. All members who are eligible for the traditional benefit option are eligible for the portable option. New and existing members are provided a window period in which to make an irrevocable election. The portable option provides an enhanced refund at termination for those who leave SURS with at least five years of service. Offsetting this additional cost is the elimination of the survivor benefit package. This program is designed to be cost-neutral in relation to the traditional option. Approximately 19 thousand of the approximately 81 thousand members have chosen this option.

Legislation, effective January 1, 1998, also required the SURS to offer a Self-Managed Plan. This is a defined contribution plan and is offered to employees of all SURS employers who elect to participate. All but two SURS employers participate in the Self-Managed Plan. The Self-Managed Plan is a qualified money purchase plan under Section 401(a) of the Internal Revenue Code. The assets are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code. Approximately 10 thousand of the approximately 81 thousand active members have chosen this option. \$1,043 billion of the \$14.748 billion total net assets relate to the Self-Managed Plan. Plan member contributions were \$54.122 million and the State contributions, along with employer consisting of grant reimbursements, were \$45.924 million for the year ended June 30, 2012.

Public Act 96-0889, effective April 14, 2010, created a "second-tier" of benefits for future members of SERS hired after December 31, 2010. This new legislation changed the eligibility for normal retirement benefits to age 67 with 10 years of service. A member can retire at age 62 with 10 years of service, but with a reduction in benefits of one-half of 1% per month for each month the member's age is under 67. Under this second-tier, the retirement benefit is calculated on a maximum final average compensation of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. The new plan also stops compounding annual cost of living increases. The original retirement benefit increases annually by 3% or one-half of the Consumer Price Index, whichever is less. Participation in the "alternative formula," which provides enhanced benefits for members in high-risk state jobs, is reduced and restrictions

on retired SERS members who go to work full-time for an employer covered by a reciprocal pension system are tightened. Under these new restrictions, pension payments would be suspended during this time. The second-tier increases the number of months used to calculate the final average rate of pay to the highest 96 months of the last ten years of service and increases the surviving spouse annuity to 66 2/3% of what the deceased member had been receiving.

This same public act also created a “second-tier” of benefits for future members of GARS and JRS hired after December 31, 2010. This legislation changes the eligibility for normal retirement benefits to age 67 with 8 years of service. A member could retire at age 62 with 8 years of service, but with a reduction in benefits of one-half of 1% per month for each month that the member’s age is under 67. Under this second-tier, the retirement benefit is calculated on a maximum final average compensation that shall not exceed the Social Security Covered Wage Base for 2010, and shall automatically be increased or decreased, as applicable, by a percentage equal to the percentage change in the Consumer Price Index during the preceding year. The retirement benefit increases annually by 3% or the annual change in the Consumer Price Index, whichever is less. All other benefit changes for second-tier members of GARS and JRS are the same as those of SERS members.

Each of the five State-sponsored retirement systems provide retirement, death, and disability benefits to members and beneficiaries. Each plan also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plan as follows:

- General Assembly Retirement System and Judges’ Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 782-8500.
- State Employees’ Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 785-2340.
- Teachers’ Retirement System, 2815 West Washington Street, PO Box 19253, Springfield, Illinois, 62794-9253, (217) 753-0311.
- State Universities Retirement System, 1901 Fox Drive, Champaign, Illinois, 61820-7333, (217) 378-8800.

Funding Policy and Annual Pension Cost. Member contributions are based on fixed percentages set by statute ranging from 4.0% to 12.5%. The State’s funding requirements have been established by statute (Public Act 88-593) effective July 1, 1995 and provide for a systematic 50-year funding plan with an ultimate goal to achieve “90% funding” of the systems’ liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State’s contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. However, Public Act 94-0004 decreased the required funding levels for fiscal years 2006 and 2007 to \$938.400 million and \$1.375 billion, respectively, and required the State’s contribution to increase in equal annual increments from fiscal years 2008 to 2010, so that by fiscal year 2011, the State would be contributing at the rate otherwise required by State law. Pursuant to Public Act 93-0002, the State issued general obligation bonds, the proceeds of which were used to fund \$300 million of the State’s fiscal year 2003 required annual statutory contribution and \$1.860 billion of the State’s fiscal year 2004 required annual statutory contribution, as well as to contribute \$7.317 billion to the retirement systems in fiscal year 2004 to fund a portion of the State’s unfunded liability. In fiscal year 2010, pursuant to Public Act 96-0043, the State made contributions from general obligation bond proceeds of \$3.452 billion to the retirement systems to fund a portion of the State’s required annual statutory contribution. In fiscal year 2011, pursuant to Public Act 96-1497, the State made

contributions from general obligation bond proceeds of \$3.684 billion to the retirement systems to fund a portion of the State's required annual statutory contribution. The State met its funding requirement established by *statutory law* for the fiscal year ended June 30, 2012. Actual contributions varied slightly from contributions required by statute mainly because of differences between estimated and actual federal contributions.

The current statutory law includes a "continuing appropriation," which means that the State must automatically provide funding to the pension systems based on actuarial cost requirements and amortization of the unfunded liability without being subject to the General Assembly's appropriation process.

This statutory funding requirement differs significantly from the annual pension cost ("APC") because the statutory plan does not conform to the GASB Statement No. 27 accounting parameters. The State's APC for the current year and related information for each plan is included in Table 16-1.

	GARS	JRS	SERS	TRS	SURS
Actuarially required contribution ("ARC")	\$ 13,366	\$ 110,923	\$ 1,614,835	\$ 3,429,945	\$ 1,443,348
Plus: Interest on net pension obligation ("NPO")	4,526	32,907	165,194	1,140,592	615,438
Adjustment to the ARC	(3,660)	(26,609)	(132,188)	(788,853)	(452,282)
Annual pension cost ("APC")	14,232	117,221	1,647,841	3,781,684	1,606,504
Employer contributions	10,502	63,644	1,391,416	2,558,581	985,815
Increase in NPO	3,730	53,577	256,425	1,223,103	620,689
NPO at June 30, 2011	64,666	470,103	2,131,537	13,418,725	7,941,130
NPO at June 30, 2012	\$ 68,396	\$ 523,680	\$ 2,387,962	\$ 14,641,828	\$ 8,561,819

The annual pension cost, the percentage of annual pension cost contributed for the year, and the net pension obligation at the end of the year for the current fiscal year and the two preceding fiscal years are presented in Table 16-2.

	GARS	JRS	SERS	TRS	SURS
Annual Pension Cost ("APC")					
6/30/2012	\$ 14,232	\$ 117,221	\$ 1,647,841	\$ 3,781,684	\$ 1,606,504
6/30/2011	\$ 14,527	\$ 101,273	\$ 1,326,155	\$ 3,156,267	\$ 1,463,948
6/30/2010	\$ 13,434	\$ 96,591	\$ 1,214,300	\$ 2,881,902	\$ 1,213,184
% of APC Contributed					
6/30/2012	73.79%	54.29%	84.44%	67.66%	61.36%
6/30/2011	78.71%	61.91%	85.05%	73.62%	52.84%
6/30/2010	77.50%	81.28%	90.22%	78.07%	57.42%
Net Pension Obligation					
6/30/2012	\$ 68,396	\$ 523,680	\$ 2,387,962	\$ 14,641,828	\$ 8,561,819
6/30/2011	\$ 64,666	\$ 470,103	\$ 2,131,537	\$ 13,418,725	\$ 7,941,130
6/30/2010	\$ 61,573	\$ 431,525	\$ 1,933,269	\$ 12,586,127	\$ 7,250,777

Funded Status. The funded status and funding progress of the State's retirement systems is presented in Table 16-3.

Table 16-3 (amounts expressed in thousands)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability ("AAL") Projected Unit Credit	(c) Unfunded AAL ("UAAL") (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c/e)
GARS	6/30/2012	\$ 56,090	\$ 303,469	\$ 247,379	18.5%	\$ 15,275	1619.5%
JRS	6/30/2012	\$ 601,220	\$ 2,021,716	\$ 1,420,496	29.7%	\$ 171,498	828.3%
SERS	6/30/2012	\$ 11,477,264	\$ 33,091,186	\$ 21,613,922	34.7%	\$ 4,329,084	499.3%
TRS	6/30/2012	\$ 37,945,397	\$ 90,024,945	\$ 52,079,548	42.1%	\$ 9,321,098	558.7%
SURS	6/30/2012	\$ 13,949,905	\$ 33,170,216	\$ 19,220,311	42.1%	\$ 3,477,166	552.8%

Actuarial Methods and Assumptions. Actual valuations of an ongoing retirement system involve estimates and calculations of the value of reported amounts and assumptions about the probability of occurrence of events on a long-term perspective. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the retirement systems and the annual required contributions of the State are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress of the State's retirement systems, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the retirement systems' assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the types of benefits provided and the cost sharing between the employer and plan members at the time of each valuation and do not include the potential effects of legal or contractual funding. Information about actuarial methods and assumptions used in the actuarial valuation of the plan is presented in Table 16-4.

Table 16-4 (amounts expressed in thousands)

	GARS	JRS	SERS	TRS	SURS
Required contribution amounts/rates:					
Statutory required contribution *	\$ 10,502	\$ 63,628	\$ 1,396,216	\$ 2,547,803	\$ 985,815
Members	11.5%	11%	4%-12.5%	9.4%	8%-9.5%
Actuarial valuation date of the ARC	6/30/2010	6/30/2010	6/30/2010	6/30/2010	6/30/2011
Actuarial valuation date of the UAAL	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012
Actuarial cost method	Proj. Unit Credit	Proj. Unit Credit	Proj. Unit Credit	Proj. Unit Credit	Proj. Unit Credit
Amortization method	Level % of pay	Level % of pay	Level % of pay	Level % of pay	Level % of pay
Remaining amortization period	30 years - Open	30 years - Open	30 years - Open	30 years - Open	30 years - Open
Asset valuation method	5-Year Smoothed	5-Year Smoothed	5-Year Smoothed	5-Year Smoothed	5-Year Smoothed
Actuarial assumptions:					
Investment rate of return **	8%	7%	7.75%	8.5%	7.75%
Projected salary increases **	5%	5%	4% - 8.35%	6% - 11.1%***	3.75% - 12%
Postretirement benefit increases					
Tier 1	3%, compounded	3%, compounded	3%, compounded	3%, compounded	3%, compounded
Tier 2	Lesser of 3% or annual increase in CPI [^] , compounded	Lesser of 3% or annual increase in CPI [^] , compounded	Lesser of 3% or 1/2 of CPI [^] , on original benefit	Lesser of 3% or 1/2 of CPI [^] , not compounded	Lesser of 3% or 1/2 of CPI [^] , not compounded
Inflation rate	4%	4%	3%	3.5%	2.75%

Note: The above actuarial assumptions are the actuarial assumptions used at June 30, 2010, to calculate the ARC for the year ended June 30, 2012. The actuarial assumptions used at June 30, 2012 to calculate the actuarial accrued liability as reported in the required supplementary information were the same except for the following:

	GARS	JRS	SERS	TRS	SURS
Investment rate of return	7%			8%	
Projected salary increases	4%	4%	4% - 8.87%	5% - 10.15%****	
Inflation rate	3%	3%		3.25%	

[^] Consumer Price Index

* Public Act 88-593 provides for 50-year funding including 15-year phase-in of employer contributions as a percentage of active member payroll increasing until fiscal year 2010, and remaining at that level until fiscal year 2045 until the 90% funded level is achieved. Public Act 94-004 amended Public Act 88-593 by reducing contributions for fiscal years 2006 and 2007 and requiring incremental increases for fiscal years 2008 through 2010 in order that the funded ratio in fiscal year 2011 would not be impacted.

** Includes inflation rate listed

*** Composite, approximately 7.0%

**** Composite, approximately 6.0%

17 POSTEMPLOYMENT BENEFITS

Plan Description. The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all State and university component unit employees become eligible for these other postemployment benefits ("OPEB") if they eventually become annuitants of one of the State sponsored pension plans. The Department of Healthcare and

Family Services and the Department of Central Management Services administer these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (General Assembly Retirement System, Judges Retirement System, State Employees Retirement System, Teachers' Retirement System, and the State Universities Retirement System). The portions of the Act related to OPEB establishes a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation for employees of the State's component unit universities. The plan does not issue a stand-alone financial report.

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes \$5,000.

Funding Policy and Annual OPEB Cost. In accordance with the Act, the State contributes toward the cost of an annuitant's coverage under the basic program of group health, dental, and vision benefits an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service. For fiscal year 2012, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$7,538.40 (\$3,948.72 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$10,697.04 (\$4,483.44 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

For current employees, contributions are dependent upon annual salary and whether or not the employee chooses to receive benefits through a health maintenance organization. Current employee contribution rates to the plan are presented in Table 17-1.

Table 17-1		
Employee Annual Salary	Annual Employee Health, Dental, and Vision Contribution Requirements	
	Benefits Through a Health Maintenance Organization	Benefits Provided Through Other Than a Health Maintenance Organization
\$30,200 and below	\$696	\$996
\$30,201 - \$45,600	\$756	\$1,056
\$45,601 - \$60,700	\$786	\$1,086
\$60,701 - \$75,900	\$816	\$1,116
\$75,901 and above	\$846	\$1,146

The State's lack of funding requirement differs significantly from the annual OPEB cost ("AOPEBC") as pay-as-you-go does not conform to the GASB Statement No. 45 accounting parameters. The State's AOPEBC for the current year and related information is included in Table 17-2.

Table 17-2 (amounts expressed in thousands)	
Actuarially required contribution ("ARC")	\$ 2,396,735
Plus: Interest on net other postemployment benefits obligation ("NOPEBO")	257,236
Adjustment to the ARC	(190,545)
Annual other postemployment benefits cost	2,463,426
Benefits paid during the year	777,372
Increase in NOPEBO	1,686,054
NOPEBO at June 30, 2011, as restated	5,614,025
NOPEBO at June 30, 2012	\$ 7,300,079

The annual pension cost, the percentage of annual pension cost contributed for the year, and the net pension obligation at the end of the year for the current fiscal year and the two preceding fiscal years are presented in the following Table 17-3.

Table 17-3 (amounts expressed in thousands)	
Annual Other Postemployment Benefits Cost ("AOPEBC")	
6/30/2012	\$ 2,463,426
6/30/2011	\$ 2,338,779
6/30/2010	\$ 1,936,287
% of AOPEBC Contributed	
6/30/2012	31.56%
6/30/2011	21.43%
6/30/2010	27.46%
Net Other Postemployment Benefits Obligation	
6/30/2012	\$ 7,300,079
6/30/2011, as restated	\$ 5,614,025
6/30/2010	\$ 3,878,792

Funded Status. The funded status and funding progress of the State's OPEB is presented in Table 17-4.

Table 17-4 (amounts expressed in thousands)							
	(a)	(b)	(c)	(d)	(e)	(f)	
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL") Projected Unit Credit	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)	
6/30/2011	\$ -	\$ 33,295,354	\$ 33,295,354	0.0%	\$ 7,375,559	451.4%	

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates and calculations on the value of reported amounts and assumptions about the probability of occurrence of events on a long-term perspective. Examples include assumptions about future

employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress of the State's OPEB plan, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the types of benefits provided and the cost sharing between the employer and plan members at the time of each valuation and do not include the potential effects of legal or contractual funding limitations. Information about actuarial methods and assumptions used in the actuarial valuation of the plan is presented in Table 17-5.

Table 17-5	
Actuarial valuation date of the actuarial required contribution	6/30/2011
Actuarial valuation date of the unfunded actuarial accrued liability	6/30/2011
Actuarial cost method	Proj. Unit Credit
Amortization method	Level % of pay
Remaining amortization period	30 years. Open
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return *	4.5%
Projected salary increases *	4.5%
Inflation rate	3.0%
Healthcare cost trend rate:	
Medical	9.0% grading down .5% per year over 6 years to 6.0% and in the 7th year grading down .4% to 5.6%
Dental	8.0% grading down .5% per year over 6 years to 5.0%
Vision	6.0% grading down 3.0% with 3.0% for subsequent years
* Includes inflation rate listed	

Plans Administered for Other Governments. The State also administers cost-sharing OPEB plans for teachers at school districts in Illinois (excluding Chicago) and for teachers at community colleges in Illinois. Financial statements for these plans may be obtained from the Department of Healthcare and Family Services ("Department"), 201 South Grand Avenue East, Springfield, Illinois 62763. The State Group Insurance Act of 1971 ("Act"), as amended, establishes the benefits provided to retirees; the rates of contribution for active employees, employers, and the State; and the process, if any, to amend rates of contribution for both plans with a funding policy of pay-as-you-go. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Teacher Health Insurance Security Fund was established to provide health insurance for retirees of school districts in Illinois (excluding Chicago) who are annuitants or dependent beneficiaries of the Teachers' Retirement System ("TRS"). As of June 30, 2012, there were 1,002 school districts participating with 72,324 retirees and dependent beneficiaries receiving

benefits. The Department works in conjunction with the Department of Central Management Services (“CMS”) and TRS to administer this cost-sharing multiple-employer defined benefit OPEB plan. The Act requires every active contributor of TRS and for every employer to make contributions to the plan at rates not to exceed 105% of the previous year. For fiscal year 2012, contributors to TRS contributed .88% of salary and employers contributed .66% of wages. The Act also requires the State to contribute the amount of remaining funds estimated necessary to fund current expenditures as certified by the Director of the Department. At the time of the most recent amendments to the Act, this amount was expected to be approximately .88% of contributors’ wages. The Director of the Department can amend the contribution rates of employers and employees annually subject to a limitation of 5% pursuant to the Act. The amount of the State’s required contribution was \$87.622, \$85.953, and \$79.007 million for fiscal years 2012, 2011, and 2010, respectively.

The Community College Health Insurance Security Fund was established to provide health, vision, and dental insurance for Illinois community college retirees and dependent beneficiaries. As of June 30, 2012, there were 38 community college districts (all of the State’s districts except the City Colleges of Chicago District) and 1 community college association participating with 6,539 retirees and dependent beneficiaries receiving benefits. The Department works in conjunction with CMS and the State Universities Retirement System (“SURS”) to administer this cost-sharing multiple-employer defined benefit OPEB plan. The Act requires every active contributor of SURS who is a full-time employee of a community college district or an association of community college boards to make contributions to the plan at the rate of .5% of wages and every community college district or association of community college boards to contribute to the plan an amount equal to .5% of the wages paid to its full-time employees who are required to contribute to the plan. The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund to cover any expected expenditures in excess of the contributions by active employees and employers in an amount certified by the SURS Board of Trustees. The amount of the State’s required contribution and the amount contributed was \$4.396, \$5.237, and \$4.059 million for fiscal years 2012, 2011, and 2010, respectively.

18 FUND DEFICITS/CASH FLOW DEFICITS

Primary Government - Governmental Activities

A. Fund Deficits

Major Governmental Funds

The State’s General Fund, from which a significant portion of day to day operating expenditures are paid, has a GAAP deficit aggregating \$9.133 billion at June 30, 2012. This deficit results from spending in excess of revenues recognized.

Nonmajor Governmental Funds

The Personal Property Tax Replacement Fund of the Department of Revenue and the Transportation Bond Series A Fund of the Department of Transportation have deficits at June 30, 2012, aggregating \$282.689 million and \$11.664 million, respectively, resulting from spending in excess of revenues recognized.

The DCFS Childrens' Services Fund of the Department of Children and Family Services, the Tobacco Settlement Recovery Fund of the Treasurer, the Local Government Tax Fund of the Department of Revenue and the SBE Federal Department of Education Fund of the State Board of Education have deficits at June 30, 2012, aggregating \$59.979 million, \$1.042 billion, \$3.213 million and \$24.460 million, respectively, resulting from the recognition of fund liabilities in excess of accrued revenues on the modified accrual basis.

B. Cash Flow Deficits

As of June 30, 2012, liabilities reported in the financial statements include transactions totaling \$4.475 billion that have been approved for payment by the State, but remained unpaid at year end due to the State's cash flow difficulties. Of this total, \$281.310 million related to intra-governmental transactions and \$1.124 billion related to statutorily mandated transfers, the latter of which would represent noncompliance with State law. The majority of these unpaid transactions were payable from the General Revenue Fund. Payment of these transactions was ultimately made by December 31, 2012.

Fiduciary Funds

Pension (and Other Employee Benefit) Trust Funds

The Teacher Health Insurance Security Fund and the Community College Health Insurance Security Fund of the Department of Healthcare and Family Services have deficits at June 30, 2012, aggregating \$31.196 million and \$37.986 million, respectively, resulting from benefit payments exceeding contributions due to funding based on a pay-as-you-go basis.

19 RISK MANAGEMENT

Primary Government

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e. self-insured) for these risks except minimal commercial insurance. There were no significant reductions in insurance coverage from the prior fiscal year. The amount of settlements has not exceeded insurance coverage in the past three fiscal years. In addition, the State is exposed to various risks of loss related to employee health and dental insurance programs as described below.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Nonincremental claims adjustment expenses have not been included as part of the liability.

The State's risk financing of auto liability has been determined using an estimate of claims outstanding. Matured claims have been recorded as liabilities in the General Fund and Road Fund in the amount of \$2.002 million and \$1.216 million, respectively. The remaining portion of the liability is included in the government-wide financial statements and is expected to be paid

from future resources of the General Fund and Road Fund in the amount of \$2.798 million and \$7.539 million, respectively.

The workers compensation liability has been determined using claims outstanding and a projection of claims to be submitted, based upon prior years' experience of the State. Matured claims have been recorded as a liability in the Workers' Compensation Revolving Fund, an internal service fund, in the amount of \$563.880 million. Payments to the Workers' Compensation Revolving Fund are based on estimates of amounts needed to pay current year claims and are made from the applicable fund that would have paid the salaries and wages of the related employees.

The State uses the Health Insurance Reserve Fund to account for employee health and dental insurance benefit programs, which are partially self-funded. Employees may obtain health care services through participation in the State's group health insurance plan or through membership in one of eight health maintenance organization plans under contract with the State. The State maintains the risk of insurance for employees who participate in the State's group health insurance plan. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, have been recorded as liabilities in the amount of \$666.536 million. Payments to the Health Insurance Reserve Fund are based on estimates of amounts needed to pay prior year unprocessed and current year claims and are made from the applicable fund that paid the salaries and wages of the related employee.

The following is a reconciliation of the State's claims liabilities for the year ended June 30, 2012:

Year Ended June 30	Changes in Claims Liability Balances			
	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
Primary Government-Governmental Activities:				
2011				
Auto Liability	\$ 14,479	\$ 1,567	\$ (3,555)	\$ 12,491
Workers' Compensation	536,937	197,484	(143,126)	591,295
Health Insurance	486,301	694,125	(561,635)	618,791
Total	<u>\$ 1,037,717</u>	<u>\$ 893,176</u>	<u>\$ (708,316)</u>	<u>\$ 1,222,577</u>
2012				
Auto Liability	\$ 12,491	\$ 4,702	\$ (3,638)	\$ 13,555
Workers' Compensation	591,295	115,785	(143,200)	563,880
Health Insurance	618,791	754,522	(706,777)	666,536
Total	<u>\$ 1,222,577</u>	<u>\$ 875,009</u>	<u>\$ (853,615)</u>	<u>\$ 1,243,971</u>
Component Units, (Information for the Toll Highway Authority is as of December 31):				
2011				
Toll Highway Authority	\$ 16,023	\$ 6,065	\$ (7,022)	\$ 15,066
Southern Illinois University	18,829	11,348	(11,747)	18,430
University of Illinois	206,829	75,536	(37,871)	244,494
	<u>\$ 241,681</u>	<u>\$ 92,949</u>	<u>\$ (56,640)</u>	<u>\$ 277,990</u>
2012				
Toll Highway Authority	\$ 15,066	\$ 3,572	\$ (5,260)	\$ 13,378
Southern Illinois University	18,430	13,665	(9,834)	22,261
University of Illinois	244,494	60,338	(59,122)	245,710
	<u>\$ 277,990</u>	<u>\$ 77,575</u>	<u>\$ (74,216)</u>	<u>\$ 281,349</u>

The State administers a public entity risk pool offering health insurance to local governments in the Local Government Health Insurance Reserve Fund, a nonmajor enterprise fund. The financial statements of the fund can be obtained from the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois, 62763.

Component Units

The Toll Highway Authority, a major component unit, records an accrued self-insurance liability which covers workers' compensation liability and auto liability. The Authority's accrued self-insurance liability was \$13.378 million at December 31, 2011.

Southern Illinois University, a major component unit, records an accrued self-insurance liability which covers general and professional liability and limited student health care liability in excess of costs not covered by other primary provider plans. The University's accrued self-insurance liability was \$22.261 million at June 30, 2012.

The University of Illinois, a major component unit, records an accrued self-insurance liability which covers hospital patient liability, hospital and medical professional liability, estimated general and contract liability, and workers' compensation liability related to employees paid by the University. The University's accrued self-insurance liability was \$245.710 million at June 30, 2012.

Illinois State University, Northern Illinois University, Southern Illinois University, and the University of Illinois have contracted with commercial carriers to provide excess insurance coverage. These coverages have been considered in determining the accrued self-insurance liability, where applicable. There were no settlements which exceeded insurance coverage during the last three years.

The nonmajor component unit universities carry excess general liability coverage. The deductible portion of this coverage is covered by the State University Risk Management Association, a self-insurance pool.

20 COMMITMENTS AND CONTINGENCIES

A. Construction Commitments

The Department of Transportation has outstanding construction commitments for highway improvement programs of \$4.231 billion as of June 30, 2012, which will be financed through State reappropriations. Also, the Capital Development Board has outstanding construction commitments for building and building additions and improvements of \$622.900 million as of June 30, 2012, which will be financed through State reappropriations. The Illinois State Toll Highway Authority, reported on a December 31st year-end, has entered into commitments for road construction of \$84.000 million as of December 31, 2011. Southern Illinois University and the University of Illinois have outstanding construction commitments for various building and building improvement projects of \$76.161 and \$102.606 million respectively as of June 30, 2012.

B. Operating Leases

The State has entered into various operating leases for land, office facilities, office and computer equipment, and other assets. Although lease terms vary, certain leases are renewable subject to

appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. Any operating leases with scheduled rent increases are considered immaterial to the future minimum lease payments and current rental expenditures.

Future minimum commitments for non-cancelable operating leases as of June 30, 2012 are as follows:

Table 20-1 (amounts expressed in thousands)						
Operating Leases						
Year Ending June 30	Primary Government	Major Component Units				University of Illinois
		Housing Development Authority	Illinois State University	Northern Illinois University		
2013	\$ 114,845	\$ 1,252	\$ 1,484	\$ 1,124		\$ 10,583
2014	94,352	1,291	1,116	913		9,035
2015	68,224	1,329	1,075	863		6,274
2016	48,302	1,365	464	795		4,087
2017	25,553	115	429	699		2,894
2018-2022	24,394	-	300	-		3,336
2023-2027	8,886	-	-	-		1
2028-2032	804	-	-	-		1
2033-2037	-	-	-	-		1
Total minimum lease payments	<u>\$ 385,360</u>	<u>\$ 5,352</u>	<u>\$ 4,868</u>	<u>\$ 4,394</u>		<u>\$ 36,212</u>

Rental payments for operating leases charged to operations during the year ended June 30, 2012, aggregated \$271.290 million for the governmental and business-type activities and \$604 thousand for fiduciary funds. Illinois Housing Development Authority, Illinois State University, Northern Illinois University, Southern Illinois University, and the University of Illinois (major component units) had rental payments charged to operations during the year ended June 30, 2012 of \$1.946 million, \$1.512 million, \$1.163 million, \$16.130 million, and \$13.018 million, respectively.

C. Tax Litigation

At June 30, 2012, the State of Illinois has \$217.404 million in payments received related to protested tax cases, which have not been adjudicated. In addition, the State defends many lawsuits challenging reasons for denial of tax refunds in relation to tax payments already received. The ultimate disposition of these protested tax payments received and claims for tax refunds is not determinable at this time.

D. Federal Funding

The State receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2012, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the State believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

E. Legal Proceedings

In *State of Illinois (Illinois Department of Central Management Services) v. American Federation of State, County, and Municipal Employees, Council 31 ("AFSCME")*, Case No. 11 CH 31591 (Cir. Ct. Cook County), the State sought to vacate and AFSCME sought to confirm an arbitration award for certain fiscal year 2012 wage increases allegedly owed to State employees in bargaining units represented by AFSCME at six State agencies. The State contested the obligation to pay the wage increases on Constitutional and public policy grounds. On December 10, 2012, the Circuit Court of Cook County entered orders confirming in part and vacating in part the arbitration award, finding that the State is liable for the wage increases but that payment of the increases is subject to appropriation. The Court stayed the State's payment and/or disbursement obligation for appropriated amounts to AFSCME or its members pending further order of court (the "December 10, 2012 Order"). The matter is currently pending through cross-appeals before the Appellate Court of Illinois. The Circuit Court lifted the stay to allow the State to use approximately \$39 million in fiscal year 2012 personal services appropriations that were vouchered pursuant to court order before the end of the fiscal year 2012 lapse period and held in a separate State fund to pay the portion of the wage increases for which there was sufficient appropriation. The State intends to pay the \$39 million and has recorded the liability as of June 30, 2012. Dependent on whether, or to what extent, the December 10, 2012 Order finding liability is affirmed or otherwise remains in place with respect to non-appropriated amounts, the estimated remaining possible loss ranges from \$0 to \$64 million.

Several related vacated conviction lawsuits filed against the Illinois State Police allege violations of various state and federal laws. As discovery is just commencing in these cases, the estimated potential range of loss is unknown.

A lawsuit filed by the Chicago Urban League (Chicago Urban League v. Illinois State Board of Education) alleges the State's system of funding public schools violates the Illinois Civil Rights Act of 2003 and various clauses of the Illinois Constitution. The Circuit Court has dismissed all claims in the suit except a claim in relation to the Illinois Civil Rights Act of 2003. The case is in the pre-trial discovery stage.

The State, its units and employees are also party to numerous other legal proceedings, many of which normally recur, in governmental operations. In addition, the State and its units are involved in certain other legal proceedings, which, if decided adversely to the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on future expenditures or revenue sources.

F. Forward Fixed-Price Energy Contracts

Illinois State University, Southern Illinois University and the University of Illinois have executed forward fixed-price purchase contracts for natural gas and electricity with commitments of \$23.594 million, \$11.500 million and \$45.000 million, respectively, as of June 30, 2012.

G. Illinois Housing Development Authority Bonds ("IHDA")

The IHDA, a component unit of the State, has a portion of its revenue bonds that are moral obligations of the State. In the event that the IHDA determines that funds will not be sufficient for the payment of principal and interest on these bonds, the Chairman of the IHDA shall certify to the Governor as soon as practicable the amount required by the IHDA to enable it to pay such

principal and interest. The Governor shall include the amount so certified in the State budget; however, the General Assembly has no obligation to appropriate funds to the IHDA. As of June 30, 2012, the outstanding balance of bonds which the State is morally obligated to repay is \$314 thousand.

H. Metropolitan Pier and Exposition Authority (“The Authority”)

The Authority, not a part of the State of Illinois reporting entity, is authorized by the Metropolitan Pier and Exposition Authority Act to issue bonds in the principal amount of \$312.5 million, excluding refunding bonds issued after January 1, 1986. These bonds were issued (1) to pay construction costs of completing the McCormick Place expansion, (2) to pay the construction costs of projects authorized by the Illinois General Assembly in the future, (3) to refund any outstanding bonds of the McCormick Place that were issued prior to July 1, 1984, and (4) to provide for the acquisition and improvement of Navy Pier in Chicago. In order to provide funding for the debt service requirements on these bonds, the Illinois General Assembly amended tax laws to provide for 1.75% of total State sales tax revenues, 3% of 94% of total hotel room rental receipts, and \$1.7 million per year out of 7% of State racing tax revenues to be deposited into the Build Illinois Fund, a nonmajor governmental fund. Within the Build Illinois Fund are credits to separate accounts, of which one is the “McCormick Place Account” and has first priority credit of the amounts collected.

The bonds are special obligations of the Authority and are payable from and secured by a pledge of revenues derived from dedicated State taxes, discussed above, imposed and collected by the State of Illinois. For State fiscal years in which these bonds are outstanding, the State shall transfer from the McCormick Place Account in the Build Illinois Fund to the Metropolitan Fair and Exposition Authority Improvement Bond Fund, a nonmajor governmental fund, an amount equal to 150% of the Authority’s certified amount for that fiscal year divided by the number of months during that fiscal year in which bonds of the Authority are outstanding. The maximum amount in any fiscal year shall not exceed \$33.5 million or a lesser sum as is actually necessary and required to pay the debt service requirements for that fiscal year after giving effect to net operating revenues of the Authority available for that purpose as certified by the Authority. During fiscal year 2012, debt service requirements were \$5.122 million. However, the amount paid to the Authority based on their annual certification was \$5.110 million, which is below the authorized amount of \$33.5 million.

The Authority is also authorized to issue an additional \$2.557 billion of bonds, excluding refunding bonds, to finance the McCormick Place expansion and certain other improvements to its facilities and Navy Pier. These bonds are special, limited obligations of the Authority and are payable from and secured by a pledge of revenues derived from Authority taxes and State sales tax deposits. For State fiscal years when these bonds are outstanding, monthly deposits of Authority taxes to the McCormick Place Expansion Project Fund, an agency fund, are required to be made in an amount equal to 1/8 of the annual debt service as specified in the Authority’s Annual Certification plus any prior months’ deficiencies in transfers. To the extent that Authority taxes are not sufficient to satisfy the requirements of the Authority’s Annual Certification, State sales taxes are deposited into the McCormick Place Expansion Project Fund. The maximum amount that can be deposited into the McCormick Place Expansion Project Fund from the State sales taxes shall not exceed, \$153 million in fiscal year 2012, \$161 million in fiscal year 2013, \$170 million in fiscal year 2014, \$179 million in fiscal year 2015, \$189 million in fiscal year 2016, and graduating to \$350 million in fiscal year 2031 until fiscal year 2060. During fiscal year 2012, debt service requirements for these bonds were \$157.983 million. The amount paid to the Authority based on their annual certification was \$126.679 million. During fiscal year 2012,

deposits from the Authority's taxes were not sufficient to pay for the debt service requirements. As a result, \$35.270 million in State sales tax was transferred for deposit into the McCormick Place Expansion Project Fund. In addition, in previous years \$57.2 million in State sales tax was transferred for deposit in the McCormick Place Expansion Project Fund which will be reimbursed beginning in fiscal year 2015.

I. Regional Transportation Authority ("RTA")

The RTA, not a part of the State of Illinois reporting entity, was authorized by the Regional Transportation Authority Act to issue bonds in the principal amount of \$100 million on or after January 1, 1990 with an additional \$100 million per year authorized to be issued on or after January 1st of each year until January 1, 1994, for a total authorization of \$500 million used for Strategic Capital Improvement Projects ("SCIP"). Effective July 1, 1999, Public Act 91-0037 authorized the RTA to issue additional bonds in the principal amount of \$260 million on or after January 1, 2000 with an additional \$260 million per year authorized to be issued on or after January 1st of each year until January 1, 2004 for an additional authorization of \$1,300 million to be used for SCIP. Public Act 91-0037 also authorized the issuance of refunding SCIP bonds. The proceeds of SCIP bonds were used to acquire, repair, or replace public transportation facilities in the metropolitan region as approved by the Governor.

The bonds are general obligations of the RTA to which the full faith and credit of the RTA is pledged. However, for State fiscal years in which the SCIP bonds are outstanding, the State's assistance shall be transferred monthly from the General Fund to the Public Transportation Fund, a nonmajor governmental fund, for payment in an amount equal to the lesser of monthly debt service on the SCIP bonds or one-twelfth of the amount of the State's assistance as provided in the authorization. The authorization currently provides for \$155 million each fiscal year. During fiscal year 2012, the State provided \$130.052 million to the RTA, which is below the authorized amount of \$155 million. Although the amount of the State's assistance is measured by the debt service on the SCIP bonds, the assistance is not pledged for payment of, or security for, the SCIP bonds. The State's assistance is paid directly to the Authority and may be spent by the Authority at its discretion.

J. Illinois Sports Facilities Authority ("ISFA")

The ISFA, not a part of the State of Illinois reporting entity, was authorized by the Illinois Sports Facilities Act to issue bonds and notes in the principal amount not to exceed 1) \$150 million in connection with facilities owned by the ISFA, 2) \$399 million in connection with facilities owned by a governmental owner other than the ISFA, and 3) to refund, advance refund or refinance any of its bonds then outstanding.

The bonds are secured by payments from the Illinois Sports Facilities Fund, a nonmajor governmental fund, from collections of 1) the State's Hotel Operator's Occupation Tax in an amount equal to the applicable advance amount plus \$5 million and 2) the City of Chicago's share of the Local Government Distributive Fund, a nonmajor governmental fund, in the amount of \$5 million. This advance amount is required to be repaid by the ISFA from collections of the ISFA's Hotel Tax to the State's General Fund by the end of the fiscal year. In the event of a deficiency in the Hotel Tax, amounts otherwise payable to the City of Chicago from the Local Government Distributive Fund should be used for the repayment.

Annually, the ISFA is required to certify to the State Comptroller and the State Treasurer their requirements for the next fiscal year. This certification shall be the lesser of 1) the advance amount plus \$10 million and 2) the amount to pay principal and interest and other payments

relating to its obligations issued or to be issued during the fiscal year plus the amount anticipated to pay obligations under provisions of any management agreement with respect to facilities owned by the ISFA or any assistance agreement with respect to any facility for which financial assistance is provided under the Act plus an amount to pay other capital or operating expenses of the ISFA. Pursuant to the certification, the maximum advance amount for fiscal year 2012 was \$38.307 million plus \$10 million for a total of \$48.307 million.

The ISFA's annual certification for fiscal year 2012 was in the amount of \$43.100 million, which is below the maximum amount authorized. Payments related to the annual certification, which are subject to appropriation by the General Assembly, were paid to the ISFA. The ISFA repaid the advance amount by the end of the fiscal year.

In future years, the advance amount increases by 105.615% of the preceding advance amount through fiscal year 2032. Including the additional \$10 million, the maximum which could be certified each year is \$50.458 million in fiscal year 2013, \$52.730 million in fiscal year 2014, \$55.130 million in fiscal year 2015, \$57.665 million in fiscal year 2016, and graduating to \$124.252 million in fiscal year 2032. Of these amounts, only \$5 million per year is the State's share.

K. Southwestern Illinois Development Authority ("SWIDA") Revenue Bonds

The SWIDA, a nonmajor component unit of the State, has issued revenue bonds. The proceeds of these bonds were loaned to several companies for the acquisition of land and construction of various types of facilities. These companies are primarily liable for repayment of the bonds, which are secured by SWIDA loan agreements with the companies. These bonds bear interest at rates ranging from 5% to 9% and mature annually through 2025. The State has accepted a moral obligation to repay the bonds in the event the SWIDA and the companies are unable to meet the bonds' repayment commitments. As of June 30, 2012 the outstanding balance of bonds, which the State is morally obligated to repay, is \$29.093 million.

L. Upper Illinois River Valley Development Authority ("UIRVDA") Revenue Bonds

The UIRVDA, a nonmajor component unit of the State, has issued revenue bonds. The proceeds of these bonds were loaned to various companies to provide permanent financing for the acquisition and construction of various types of facilities. These companies are primarily liable for repayment of the bonds, which are secured by an assignment and a pledge of revenues derived from a separate loan agreement between the UIRVDA and these companies. These bonds mature annually through 2030 and bear interest at rates ranging from 5.90% to 8.85%. The State has accepted a moral obligation to repay the bonds in the event the UIRVDA and the companies are unable to meet the bonds' repayment commitments. At June 30, 2012 the outstanding balance, which the State is morally obligated to repay, is \$18.225 million.

M. Illinois Housing Development Authority Loans

The Illinois Housing Development Authority has entered into commitments aggregating \$49.725 million for the purchase of various home loans as of June 30, 2012.

N. Illinois Finance Authority ("IFA") Revenue Bonds

The IFA, a nonmajor component unit of the State, has a portion of its revenue bonds that are moral obligations of the State. A portion of these bonds were issued on behalf of the Illinois Medical District Commission ("Commission"), a nonmajor component unit of the State, of which

the proceeds were used to finance the costs of the acquisition, construction, renovation, reconstruction, installation, and equipping of certain facilities in the City of Chicago. These bonds bear interest rates ranging from 4.125% to 5.33% and mature on various dates through 2031. The State has accepted a moral obligation to repay the bonds in the event the Commission is unable to meet the bonds' repayment commitments. As of June 30, 2012 the outstanding balance of these bonds, which the State is morally obligated to repay, is \$39.120 million.

In addition, the IFA has issued revenue bonds on-behalf of municipalities as authorized by the Illinois Financially Distressed City Law (65 ILCS 5/8-12-1 et seq.) to assist the City of East St. Louis with its debt restructuring. These bonds bear interest at rates ranging from 3% to 5% and mature annually through 2014. The State has accepted a moral obligation to repay the bonds in the event the City of East St. Louis is unable to meet the bonds' repayment commitments. As of June 30, 2012 the outstanding balance of these bonds, which the State is morally obligated to repay, is \$5.670 million.

21 *SEGMENT INFORMATION*

Major Component Units

Segments are identifiable activities reported as or within a component unit for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the condensed financial information meet these requirements. The following paragraphs describe the various component units' segments.

Southern Illinois University ("SIU")

SIU has issued revenue bonds with the net revenues from two segments pledged to pay the bond interest and principal. The Housing and Auxiliary Facilities System segment is comprised of university owned housing units, student centers, recreation and athletic facilities, and similar auxiliary enterprise units. The Medical Facilities System segment is comprised of clinical facilities used to provide patient care at the School of Medicine in Springfield.

University of Illinois ("U of I")

U of I has issued revenue bonds with the net revenues from two segments pledged to pay the bond interest and principal. The Auxiliary Facilities System segment is comprised of university owned housing units, student unions, recreation and athletic facilities and similar auxiliary service units, including parking. The Health Services Facilities System segment is comprised of the U of I Hospital and associated clinical facilities providing patient care.

The following are the condensed financial statements at June 30, 2012 for the segments described above:

Table 21-1 (amounts expressed in thousands)

Major Component Units

	Southern Illinois University		University of Illinois	
	Housing and Auxiliary Facilities System	Medical Facilities System	Auxiliary Facilities System	Health Services Facilities System
Condensed Statement of Net Assets:				
Assets and deferred outflow of resources				
Current assets	\$ 90,240	\$ 9,324	\$ 176,908	\$ 255,145
Noncurrent assets:				
Capital assets, net of accumulated depreciation	265,059	34,804	972,276	166,019
Other noncurrent assets	6,334	206	83,843	7,371
Deferred outflow of resources	-	-	-	6,109
Total assets and deferred outflow of resources	361,633	44,334	1,233,027	434,644
Liabilities				
Current liabilities	26,782	2,882	76,565	92,230
Noncurrent liabilities	269,504	17,022	1,000,527	83,192
Total liabilities	296,286	19,904	1,077,092	175,422
Net Assets				
Invested in capital assets, net of related debt	5,866	18,769	9,745	106,911
Restricted-other expendable purposes	42,015	1,738	24,257	7,066
Unrestricted	17,466	3,923	121,933	145,245
Total net assets	\$ 65,347	\$ 24,430	\$ 155,935	\$ 259,222
Condensed Statement of Revenues, Expenses and Changes in Net Assets:				
Operating revenues	\$ 108,219	\$ 41,227	\$ 321,701	\$ 585,167
Operating expenses	(100,246)	(56,313)	(261,165)	(710,636)
Depreciation expense	(14,237)	(1,277)	(30,673)	(18,931)
Operating income (loss)	(6,264)	(16,363)	29,863	(144,400)
Nonoperating revenues (expenses)	16,258	15,875	(10,519)	160,884
Other revenues	172	(25)	-	-
Increase (decrease) in net assets	10,166	(513)	19,344	16,484
Net assets, July 1, 2011	55,181	24,943	136,591	242,738
Net assets, June 30, 2012	\$ 65,347	\$ 24,430	\$ 155,935	\$ 259,222

22 SUBSEQUENT EVENTS

A. Debt Issuances

Subsequent to June 30, 2012, the State of Illinois' primary government and its major component units have issued the following debt instruments:

Table 22-1 (amounts expressed in millions)

Series	Date of Issue	Amount of Issue	Interest Rates	Annual Maturity To
Primary Government:				
Governmental Activities:				
General obligation bonds:				
September, Series 2012	9/25/2012	\$ 50.0	3.0%-4.0%	2022
April, Series 2013 A	4/10/2013	\$ 450.0	2.0%-5.0%	2038
April, Taxable Series 2013 B	4/10/2013	\$ 350.0	1.1%-5.52%	2038
Special obligation bonds:				
May, Taxable Build Illinois Bonds Series 2013	5/21/2013	\$ 300.0	.75%-3.88%	2037
Business-type Activities:				
Revenue bonds:				
Unemployment Insurance Fund Building Revenue Bonds				
Series 2012 A	7/31/2012	\$ 652.1	2.0%-5.0%	2016
Series 2012 B	7/31/2012	\$ 707.9	4.0%-5.0%	2020
Series 2012 C	7/31/2012	\$ 110.0	1.50%	2021
Major Component Units:				
Revenue bonds:				
Illinois Housing Development Authority				
Housing Revenue Bonds				
Series 2012 A	11/27/2012	\$ 40.9	2.625%	2042
Series 2013 A	4/24/2013	\$ 78.8	2.45%	2043
Taxable Series 2013 B	4/24/2013	\$ 21.2	2.75%	2043
Housing Bonds				
Taxable Series 2013 B	5/30/2013	\$ 127.6	.45%-4.79%	2047
Series 2013 C (AMT)	5/30/2013	\$ 5.8	1.75%-4.6%	2048
Illinois Toll Highway Authority				
Series 2013 A	5/16/2013	\$ 500.0	5.00%	2038
Southern Illinois University				
Series 2012B (Housing and Auxillary Facilities System)	12/19/2012	\$ 44.7	1.0%-5.0%	2035
University of Illinois				
Refunding Series 2013 A	5/15/2013	\$ 212.5	3.0%-5.0%	2032

B. Postemployment Benefits

Public Act 97-0695, effective July 1, 2012, alters the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act of 1971 for postemployment health, dental, and life insurance benefits. The Act requires the Director of Central Management Services to annually determine the amount the State should contribute toward the basic program of group health benefits. The remainder of the cost coverage shall be the responsibility of the annuitant, survivor, or retired employee.

C. Loan Sale and Bond Redemption/Defeasance

On November 16, 2012, the Illinois Student Assistance Commission ("ISAC") completed a competitive bidding process to sell certain Federal Family Education Loan Program student loan

portfolios and entered into loan sale agreements with Educational Services of America, Inc. and SLM Education Credit Finance Corporation. The two parties purchased loans with a principal amount of \$50.028 million plus accrued interest of \$691 thousand. The average sale price of \$98.65 resulted in a discount of \$667 thousand. The proceeds of the sale and available cash on hand were used to redeem/defease two outstanding bond issues. \$40.500 million of Student Loan Revenue Bonds, Series 2009 (State Guaranteed) were redeemed on December 3, 2012 at par plus accrued interest. \$19.450 million of Student Loan Revenue Bonds, Series II, VIII and IX were defeased on December 3, 2012 with a redemption date of December 13, 2012. The bonds were redeemed at par plus accrued interest.

23 CONTRACTUAL VIOLATION

The Designated Account Purchase Program (“IDAPP”) was not in compliance with a debt covenant relating to a revolving credit agreement. As a result of the violation, the bank involved with the agreement has certain remedies available, including the right to call the loan and take possession of the portion of the student loan portfolio provided as collateral for the loan. In addition, IDAPP is in breach of the coverage condition ratio defined in the indenture. Since the coverage condition cannot be satisfied within two business days, this would qualify as an Event of Termination under which Citibank would be eligible for remedies under the indenture. Discussions are ongoing with the lender to determine remedies to the violations.

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Required Supplementary Information

State of Illinois

**Budgetary Comparison Schedule
Major Governmental Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Funds				Road Fund			
	Original Budget	Final Budget	Actual	Variance Over (Under)	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES:								
Income taxes	\$ 17,723,000	\$ 17,723,000	18,044,228	\$ 321,228	\$ -	\$ -	\$ -	\$ -
Sales taxes	6,586,000	6,586,000	7,225,573	639,573	-	-	-	-
Public utility taxes	1,082,000	1,082,000	995,148	(86,852)	-	-	-	-
Federal government	4,762,000	4,762,000	3,636,653	(1,125,347)	1,521,800	1,521,800	1,610,447	88,647
Other	1,960,000	1,960,000	2,056,659	96,659	1,065,700	1,065,700	956,946	(108,754)
Less:								
Refunds	-	12,103	11,973	(130)	-	2,559	2,506	(53)
Total revenues	32,113,000	32,100,897	31,946,288	(154,609)	2,587,500	2,584,941	2,564,887	(20,054)
EXPENDITURES:								
Current:								
Health and social services	13,171,667	13,509,376	13,332,589	(176,787)	165,294	165,294	165,294	-
Education	12,197,382	12,102,502	12,087,069	(15,433)	-	-	-	-
General government	1,666,562	1,694,599	1,655,128	(39,471)	1,000	2,149	1,977	(172)
Employment and economic development	105,026	105,386	99,123	(6,263)	1,900	1,900	1,900	-
Transportation	31,640	21,440	21,339	(101)	6,384,386	2,698,967	2,293,867	(405,100)
Public protection and justice	1,942,429	2,012,542	1,986,194	(26,348)	-	-	-	-
Environment and business regulation	66,687	71,075	67,934	(3,141)	-	-	-	-
Capital outlays	19,444	23,298	19,259	(4,039)	223	66,610	47,118	(19,492)
Total expenditures	29,200,837	29,540,218	29,268,635	(271,583)	6,552,803	2,934,920	2,510,156	(424,764)
Excess (deficiency) of revenues over (under) expenditures	2,912,163	2,560,679	2,677,653	116,974	(3,965,303)	(349,979)	54,731	404,710
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:								
Transfers-in	7,231,024	7,231,024	7,231,024	-	319,116	319,116	319,116	-
Transfers-out	(10,385,002)	(10,385,002)	(10,385,002)	-	(371,538)	(371,538)	(371,538)	-
Total other sources (uses) of financial resources	(3,153,978)	(3,153,978)	(3,153,978)	-	(52,422)	(52,422)	(52,422)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(241,815)	(593,299)	(476,325)	116,974	(4,017,725)	(402,401)	2,309	404,710
Budgetary fund balances, July 1, 2011	(4,507,409)	(4,507,409)	(4,507,409)	-	670,961	670,961	670,961	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (4,749,224)	\$ (5,100,708)	\$ (4,983,734)	\$ 116,974	\$ (3,346,764)	\$ 268,560	\$ 673,270	\$ 404,710

State Construction Account				
Original Budget	Final Budget	Actual	Variance Over (Under)	
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
518,173	518,173	466,685	(51,488)	
-	-	-	-	-
518,173	518,173	466,685	(51,488)	
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,507,746	649,737	649,380	(357)	
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,507,746	649,737	649,380	(357)	
(989,573)	(131,564)	(182,695)	(51,131)	
209,585	209,585	209,585	-	
(34)	(34)	(34)	-	
209,551	209,551	209,551	-	
(780,022)	77,987	26,856	(51,131)	
173,150	173,150	173,150	-	
\$ (606,872)	\$ 251,137	\$ 200,006	\$ (51,131)	

Notes to Budgetary Comparison Schedule**– Major Governmental Funds**

For the Year Ended June 30, 2012

A. Budgetary Basis of Accounting

The State Constitution requires the Governor to prepare and submit to the General Assembly an Executive Budget for the ensuing fiscal year. The budget covers most funds held by the State, but excludes all locally held funds and various treasury held funds which are not subject to appropriation pursuant to State law. The General Assembly enacts the budget through passage of specific line-item appropriations (i.e., personal services, contractual services, equipment, etc.), the sum of which must not exceed estimated revenues pursuant to the State Constitution. The Governor has the power to approve, reduce, or veto each appropriation passed by the General Assembly. Transfers-in and transfers-out contained in the Executive Budget are not a part of the General Assembly's appropriation process. The actual amounts are determined either by State law or by discretionary action available to the Governor. The Statewide Accounting Management System controls expenditures by line-item as established in approved appropriation bills and ensures that appropriated expenditure amounts are not exceeded.

The level of legal control is at the line-item appropriation level as reported in a publication titled *Supplementary Annual Report of Revenues and Expenditures*. A separate document is necessary due to the State's large amount of appropriated line-items. Generally, administrative transfers between transferable appropriation line-items within the same treasury held fund cannot exceed 2% of the aggregate amount appropriated to those line-items for an agency from that fund. Examples of appropriation line-items with a 2% transfer limit are Contractual Services, Travel, Commodities, Printing, and Equipment. As an additional restriction, Personal Services appropriation line-items generally cannot be reduced. Legislative action is required for more substantial transfers. Unexpended appropriations at June 30 are available for subsequent expenditure to the extent that encumbrances have been incurred at June 30, provided the expenditure is presented for payment during the succeeding two month "lapse period." An exception to the lapse period requirements are expenditures described in Section 25 of the State Finance Act (30 ILCS 105/25). These Section 25 expenditures, mostly related to the reimbursement of hospitals, physicians, and pharmacists for Medicaid patients, are allowed to be paid in the following fiscal year. Certain appropriations referred to as "reappropriations" represent the continuation of a prior year's program that requires additional time for completion.

The original budgeted revenues represent estimates while original budgeted expenditures represent original and continuing appropriations enacted into law by appropriation bills. Generally accepted accounting principles (GAAP) require the final legal budget be reflected in the final budget column, therefore, updated revenue estimates have been reported. Final expenditure budgets represent original and continuing appropriations modified by supplemental and amendatory appropriations. The State's basis of budgeting is essentially on the cash basis, modified for expenditures during the lapse period (beginning and end of year) as described in the preceding paragraph.

The State Budget Law (15 ILCS 20) requires the budget for certain funds, called budgeted funds which include the General Revenue, Common School, and Educational Assistance subaccounts of the General Fund and the Road Fund, to be prepared:

“. . . on the basis of revenue and expenditure measurement concepts that are in concert with generally accepted accounting principles for governments . . .

. . . The revenue estimates used in the State budget for the budgeted funds shall include the estimated beginning fund balance, plus revenues estimated to be received during the budgeted year, plus the estimated receipts due the State as of June 30 of the budgeted year that are expected to be collected during the lapse period following the budgeted year, minus the receipts collected during the first 2 months of the budgeted year that became due to the State in the year before the budgeted year. Revenues shall also include estimated federal reimbursements associated with the recognition of Section 25 of the State Finance Act liabilities. For any budgeted fund for which current year revenues are anticipated to exceed expenditures, the surplus shall be considered to be a resource available for expenditure in the budgeted fiscal year.

Expenditure estimates for the budgeted funds included in the State budget shall include the costs to be incurred by the State for the budgeted year, to be paid in the next fiscal year, excluding costs paid in the budgeted year which were carried over from the prior year, where the payment is authorized by Section 25 of the State Finance Act. For any budgeted fund for which expenditures are expected to exceed revenues in the current fiscal year, the deficit shall be considered as a use of funds in the budgeted fiscal year.

Revenues and expenditures shall also include transfers between funds that are based on revenues received or costs incurred during the budget year.”

The State has not presented revenue and expenditure estimates in accordance with these provisions. Also, because of cash management decisions and prioritization required due to the lack of available cash in the State Treasury for the General Revenue Account, a subaccount of the General Fund, statutorily mandated transfers from the General Revenue Account to other funds were not made by the Office of the Comptroller within statutorily prescribed timelines. The timing of the payment of the transfers does not impact the amounts reported in the budgetary schedules.

The State’s General Fund has a perspective difference for financial reporting as the General Fund reported for financial reporting purposes includes amounts which are reported as a part of the State’s Special State Funds as classified for budgetary purposes.

The Budgetary Comparison Schedule – Major Governmental Funds presents the original legally adopted budget, as well as comparisons of the final legally adopted budget with actual data on a budgetary basis for the State’s major governmental funds: the General Fund, the Road Fund, and the State Construction Account.

The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for all funds of the State with annual budgets as classified for budgetary purposes. Those schedules only include the final appropriated budget.

B. Budgetary-GAAP Reporting Reconciliation

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a

reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2012 is presented below for the major governmental funds (amounts expressed in thousands):

	MAJOR GOVERNMENTAL FUNDS		
	General Fund	Road Fund	State Construction Account
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources (budgetary basis)	\$ (476,325)	\$ 2,309	\$ 26,856
Reclassifications:			
Budgetary Special State Funds reported as part of the General Fund for GAAP reporting	197,332	-	-
Adjustments:			
To adjust revenues, related receivables and deferred revenue	1,175,290	13,866	(865)
To adjust expenditures and related liabilities	(2,018,863)	220,514	1,408
Excess (deficiency) of revenues over (under) expenditures/expenses and other sources (uses) of financial resources into financial resources (GAAP basis) - budgetary classifications	(1,122,566)	236,689	27,399
To record excess (deficiency) of revenues over (under) expenditures/expenses and other sources (uses) of financial resources for nonbudgeted accounts	(6)	-	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources (GAAP basis)	<u><u>\$ (1,122,572)</u></u>	<u><u>\$ 236,689</u></u>	<u><u>\$ 27,399</u></u>

Required Supplementary Information**Defined Benefit Pension Plans – Schedule of Funding Progress**
(Unaudited)

The following schedule of funding progress (dollar amounts in thousands) for the State of Illinois' retirement systems is provided for fiscal years ended June 30, 2012, 2011 and 2010.

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL") Projected Unit Credit	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
General Assembly						
6/30/2012	\$ 56,090	\$ 303,469	\$ 247,379	18.5%	\$ 15,275	1619.5%
6/30/2011	\$ 63,161	\$ 298,408	\$ 235,247	21.2%	\$ 15,188	1548.9%
6/30/2010	\$ 66,212	\$ 251,765	\$ 185,553	26.3%	\$ 14,775	1255.9%
Judges'						
6/30/2012	\$ 601,220	\$ 2,021,716	\$ 1,420,496	29.7%	\$ 171,498	828.3%
6/30/2011	\$ 614,596	\$ 1,952,539	\$ 1,337,943	31.5%	\$ 169,155	791.0%
6/30/2010	\$ 619,926	\$ 1,819,448	\$ 1,199,522	34.1%	\$ 161,164	744.3%
State Employees'						
6/30/2012	\$ 11,477,264	\$ 33,091,186	\$ 21,613,922	34.7%	\$ 4,329,084	499.3%
6/30/2011	\$ 11,159,837	\$ 31,395,008	\$ 20,235,171	35.5%	\$ 4,211,186	480.5%
6/30/2010	\$ 10,961,540	\$ 29,309,464	\$ 18,347,924	37.4%	\$ 4,119,361	445.4%
Teachers'						
6/30/2012	\$ 37,945,397	\$ 90,024,945	\$ 52,079,548	42.1%	\$ 9,321,098	558.7%
6/30/2011	\$ 37,769,753	\$ 81,299,745	\$ 43,529,992	46.5%	\$ 9,205,603	472.9%
6/30/2010	\$ 37,439,092	\$ 77,293,198	\$ 39,854,106	48.4%	\$ 9,251,139	430.8%
State Universities						
6/30/2012	\$ 13,949,905	\$ 33,170,216	\$ 19,220,311	42.1%	\$ 3,477,165	552.8%
6/30/2011	\$ 13,945,680	\$ 31,514,336	\$ 17,568,656	44.3%	\$ 3,460,838	507.6%
6/30/2010	\$ 13,966,643	\$ 30,120,427	\$ 16,153,784	46.4%	\$ 3,491,071	462.7%

Defined Benefit Other Postemployment Benefit Plans – Schedule of Funding Progress
(Unaudited)

The following schedule of funding progress (dollar amounts in thousands) for the State of Illinois' other postemployment retirement benefits (health, dental, vision, and life insurance) is provided for the three most recent actuarial valuations.

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL") Projected Unit Credit	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
6/30/2011	\$ -	\$ 33,295,354	\$ 33,295,354	0.0%	\$ 7,375,559	451.4%
6/30/2009	\$ -	\$ 27,124,061	\$ 27,124,061	0.0%	\$ 7,091,656	382.5%
6/30/2007	\$ -	\$ 23,890,383	\$ 23,890,383	0.0%	\$ 6,872,740	347.6%

The State performs actuarial valuations for postemployment retirement benefits biennially.

GENERAL FUND

The General Fund is used to account for resources obtained and used for those services traditionally provided by State government which are not accounted for in another fund.

SIGNIFICANT GENERAL FUND ACCOUNT DESCRIPTIONS

General Revenue Account--to account for resources obtained and used which are not required to be accounted for in another fund or account.

Common School Account--to provide funding for elementary and secondary education agencies including General State Aid, School District Consolidation Incentives and operational funding of Educational Services Regions.

Education Assistance Account--to provide funding for elementary and secondary education programs and for higher education programs

County Hospital Services Account--to provide for medical services at Cook County hospitals.

Long-Term Care Provider Account--to provide for medical services at long-term health care centers.

State of Illinois

Combining Schedule of Accounts

General Fund

June 30, 2012 (Expressed in Thousands)

	General Revenue Account	Common School Account	Education Assistance Account	Medicaid Provider Assessment Program	Eliminations	Total
ASSETS						
Cash equity with State Treasurer	\$ 1,410,037	\$ 43,933	\$ 14,879	\$ 146,900		\$ 1,615,749
Cash and cash equivalents	16,868					16,868
Securities lending collateral of State Treasurer	2,611,915	99,723		30,589		2,742,227
Receivables, net:						
Taxes	1,107,871	105,719	40,866	97,381		1,351,837
Intergovernmental	1,885,134			349,308		2,234,442
Other	404,790	70	62	91		405,013
Due from other funds	247,606	385	34,818	60,348	\$ (60,320)	282,837
Due from component units	537					537
Inventories	26,785					26,785
Loans and notes receivable, net	7,867					7,867
Other assets	15,000					15,000
Total assets	\$ 7,734,410	\$ 249,830	\$ 90,625	\$ 684,617	\$ (60,320)	\$ 8,699,162
LIABILITIES						
Accounts payable and accrued liabilities	\$ 5,457,027	\$ 70,855	\$ 87,386	\$ 464,378		\$ 6,079,646
Intergovernmental payables	2,956,049		578	108,880		3,065,507
Due to other funds	2,814,365	160,533	264,752	48	\$ (60,320)	3,179,378
Due to component units	54,066		366,241	30,024		450,331
Unavailable revenue	1,479,420	10,254	5,378	295,399		1,790,451
Unearned revenue	496,432		26,167			522,599
Obligations under securities lending of State Treasurer	2,611,915	99,723		30,589		2,742,227
Matured portion of long-term liabilities	2,002					2,002
Total liabilities	15,871,276	341,365	750,502	929,318	(60,320)	17,832,141
FUND BALANCES (DEFICITS)						
Nonspendable long-term portion of loans and notes receivable	7,867					7,867
Nonspendable inventories	26,785					26,785
Restricted	39,276					39,276
Committed	806,905			57,172		864,077
Unassigned	(9,017,699)	(91,535)	(659,877)	(301,873)		(10,070,984)
Total fund balances (deficits)	(8,136,866)	(91,535)	(659,877)	(244,701)		(9,132,979)
Total liabilities and fund balances (deficits)	\$ 7,734,410	\$ 249,830	\$ 90,625	\$ 684,617	\$ (60,320)	\$ 8,699,162

State of Illinois

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
General Fund**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Revenue Account	Common School Account	Education Assistance Account	Medicaid Provider Assessment Program	Eliminations	Total
REVENUES						
Income taxes	\$ 16,059,699		\$ 1,320,040			\$ 17,379,739
Sales taxes	5,125,440	\$ 1,799,336				6,924,776
Public utility taxes	899,529	92,377				991,906
Hospital assessment taxes	890,484			\$ 71,062		961,546
Other taxes	1,410,470	118,441		249,165		1,778,076
Federal government	6,292,721			1,174,503		7,467,224
Licenses and fees	634,984	664		705		636,353
Interest and other investment income	26,016	344		232		26,592
Other	390,017		114	767,495		1,157,626
Total revenues	31,729,360	2,011,162	1,320,154	2,263,162		37,323,838
EXPENDITURES						
Current:						
Health and social services	17,138,939			2,593,398		19,732,337
Education	3,097,152	6,234,269	2,730,410			12,061,831
General government	1,881,097					1,881,097
Employment and economic development	69,493					69,493
Transportation	523,138					523,138
Public protection and justice	2,756,184					2,756,184
Environment and business regulations	128,984					128,984
Debt service:						
Principal	1,742					1,742
Interest	1,619					1,619
Capital outlays	16,384		106			16,490
Total expenditures	25,614,732	6,234,269	2,730,516	2,593,398		37,172,915
Excess (deficiency) of revenues over (under) expenditures	6,114,628	(4,223,107)	(1,410,362)	(330,236)		150,923
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in	615,183	4,009,835	346,152	120,000	\$ (3,457,417)	1,633,753
Transfers-out	(6,345,829)			(20,000)	3,457,417	(2,908,412)
Capital lease financing	1,164					1,164
Net other sources (uses) of financial resources	(5,729,482)	4,009,835	346,152	100,000	-	(1,273,495)
Net change in fund balances	385,146	(213,272)	(1,064,210)	(230,236)	-	(1,122,572)
Fund balances (deficits), July 1, 2011, as restated	(8,521,561)	121,737	404,333	(14,465)		(8,009,956)
(Decrease) for changes in inventory	(451)					(451)
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (8,136,866)	\$ (91,535)	\$ (659,877)	\$ (244,701)	\$ -	\$ (9,132,979)

State of Illinois

**Combining Schedule of Accounts - General Fund
Medicaid Provider Assessment Program**

June 30, 2012 (Expressed in Thousands)

	County Hospital Services Account	Long-Term Care Provider Account	Other Medicaid Provider Assessment Accounts	Total
ASSETS				
Cash equity with State Treasurer	\$ 1,289	\$ 129,254	\$ 16,357	\$ 146,900
Securities lending collateral of State Treasurer	1,094	27,200	2,295	30,589
Receivables, net:				
Taxes		97,138	243	97,381
Intergovernmental	94,148	225,468	29,692	349,308
Other	1	19	71	91
Due from other funds		29	60,319	60,348
Total assets	\$ 96,532	\$ 479,108	\$ 108,977	\$ 684,617
LIABILITIES				
Accounts payable and accrued liabilities	\$ 28	\$ 438,398	\$ 25,952	\$ 464,378
Intergovernmental payables	95,392	13,487	1	108,880
Due to other funds	18	23	7	48
Due to component units			30,024	30,024
Unavailable revenue	72,443	206,919	16,037	295,399
Obligations under securities lending of State Treasurer	1,094	27,200	2,295	30,589
Total liabilities	168,975	686,027	74,316	929,318
FUND BALANCES (DEFICITS)				
Committed			57,172	57,172
Unassigned	(72,443)	(206,919)	(22,511)	(301,873)
Total fund balances (deficits)	(72,443)	(206,919)	34,661	(244,701)
Total liabilities and fund balances (deficits)	\$ 96,532	\$ 479,108	\$ 108,977	\$ 684,617

State of Illinois

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances - General Fund
Medicaid Provider Assessment Program**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	County Hospital Services Account	Long-Term Care Provider Account	Other Medicaid Provider Assessment Accounts	Total
REVENUES				
Hospital assessment taxes		\$ 50,965	\$ 20,097	\$ 71,062
Other taxes		249,165		249,165
Federal government	\$ 717,405	325,920	131,178	1,174,503
Licenses and fees			705	705
Interest and other investment income	17	191	24	232
Other	722,495		45,000	767,495
Total revenues	1,439,917	626,241	197,004	2,263,162
EXPENDITURES				
Current:				
Health and social services	1,451,822	866,392	275,184	2,593,398
Total expenditures	1,451,822	866,392	275,184	2,593,398
Excess (deficiency) of revenues over (under) expenditures	(11,905)	(240,151)	(78,180)	(330,236)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Transfers-in		30,000	90,000	120,000
Transfers-out		(20,000)		(20,000)
Net other sources (uses) of financial resources		10,000	90,000	100,000
Net change in fund balances	(11,905)	(230,151)	11,820	(230,236)
Fund balances (deficits), July 1, 2011	(60,538)	23,232	22,841	(14,465)
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (72,443)	\$ (206,919)	\$ 34,661	\$ (244,701)

State of Illinois

**Combining Balance Sheet -
Nonmajor Governmental Funds**

June 30, 2012 (Expressed in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash equity with State Treasurer	\$ 2,781,269	\$ 1,303,649	\$ 1,463,797	\$ 13,916	\$ 5,562,631
Cash and cash equivalents	130,235	173,700	10,411	183	314,529
Securities lending collateral of State Treasurer	256,155	525,627		936	782,718
Investments	111,519			1,279	112,798
Receivables, net:					
Taxes	370,402				370,402
Intergovernmental	1,060,311		1,002		1,061,313
Other	384,582	369	10	2	384,963
Due from other funds	2,218,937	3,843	46,049		2,268,829
Due from component units	340,198				340,198
Inventories	15,640				15,640
Loans and notes receivable, net	56,976	12,032			69,008
Other assets	7,202				7,202
Total assets	\$ 7,733,426	\$ 2,019,220	\$ 1,521,269	\$ 16,316	\$ 11,290,231
LIABILITIES					
Accounts payable and accrued liabilities	\$ 561,715		\$ 148,006		\$ 709,721
Intergovernmental payables	1,934,328		178,674		2,113,002
Due to other funds	1,843,232	\$ 237	204	\$ 166	1,843,839
Due to component units	54,841		1		54,842
Unavailable revenue	738,618		10		738,628
Unearned revenue	309,468	12,875	1,301		323,644
Obligations under security lending of State Treasurer	256,155	525,627		936	782,718
Total liabilities	5,698,357	538,739	328,196	1,102	6,566,394
FUND BALANCES					
Nonspendable - inventories	15,640				15,640
Nonspendable - endowments and similar funds				11,837	11,837
Restricted	1,765,656	1,480,481	195	3,377	3,249,709
Committed	1,787,714		1,204,531		2,992,245
Assigned	7,948		11		7,959
Unassigned	(1,541,889)		(11,664)		(1,553,553)
Total fund balances	2,035,069	1,480,481	1,193,073	15,214	4,723,837
Total liabilities and fund balances	\$ 7,733,426	\$ 2,019,220	\$ 1,521,269	\$ 16,316	\$ 11,290,231

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES					
Income taxes	\$ 2,218,018				\$ 2,218,018
Sales taxes	2,869,795				2,869,795
Motor fuel taxes	768,936				768,936
Public utility taxes	503,345				503,345
Riverboat taxes	495,055				495,055
Other taxes	390,127				390,127
Federal government	9,044,016	\$ 64,087	\$ 23,916		9,132,019
Licenses and fees	613,838	166		\$ 72	614,076
Interest and other investment income	15,294	5,287		51	20,632
Other	862,140	7	5,387		867,534
Total revenues	17,780,564	69,547	29,303	123	17,879,537
EXPENDITURES					
Current:					
Health and social services	5,838,553		72,530		5,911,083
Education	2,514,480		488,442		3,002,922
General government	250,629	9,366	73,291		333,286
Employment and economic development	1,026,613	20	202,177		1,228,810
Transportation	373,502	1	590,302		963,805
Public protection and justice	422,349		2,444		424,793
Environment and business regulation	744,207		57,223		801,430
Debt service:					
Principal	59,620	1,757,719			1,817,339
Interest	79,641	1,495,119			1,574,760
Capital outlays	26,621		695,291		721,912
Intergovernmental	5,329,498				5,329,498
Total expenditures	16,665,713	3,262,225	2,181,700		22,109,638
Excess (deficiency) of revenues over (under) expenditures	1,114,851	(3,192,678)	(2,152,397)	123	(4,230,101)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
General and special obligation bonds issued			2,100,040		2,100,040
Premiums on general and special obligation bonds issued			80,268		80,268
General obligation refunding bonds issued		1,797,740			1,797,740
Premiums on general obligation refunding bonds issued		165,789			165,789
Transfers-in	870,639	3,247,688	324,161	200	4,442,688
Transfers-out	(1,735,003)	(1,380)	(350,237)	(5)	(2,086,625)
Capital lease financing	241				241
Payment to refunded bond escrow agent		(1,934,435)			(1,934,435)
Net other sources (uses) of financial resources	(864,123)	3,275,402	2,154,232	195	4,565,706
Net change in fund balances	250,728	82,724	1,835	318	335,605
Fund balances, July 1, 2011	1,784,090	1,397,757	1,191,238	14,896	4,387,981
Increase for changes in inventories	251				251
FUND BALANCES, JUNE 30, 2012	\$ 2,035,069	\$ 1,480,481	\$ 1,193,073	\$ 15,214	\$ 4,723,837

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SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

SIGNIFICANT NONMAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS DESCRIPTIONS

Treasurer

Unclaimed Property Trust Fund--to account for monies received as abandoned property or from the sale of abandoned property pursuant to the Uniform Disposition of Unclaimed Property Act.

Tobacco Settlement Recovery Fund--to account for monies received annually as a part of the Master Settlement Agreement in the State of Illinois vs. Philip Morris.

Department of Children and Family Services

DCFS Childrens' Services Fund--to account for revenues and expenditures related to the federal Title IV-E foster care and adoption service program.

Department of Commerce and Economic Opportunity

Supplemental Low Income Energy Assistance Fund--to provide assistance to low-income households in paying heating and cooling costs.

Department of Human Services

Employment and Training Fund--to receive and disburse monies in accordance with the provisions of Title IV-A of the Federal Social Security Act, the Food Stamp Act, Title 7 of the United States Code, and related rules and regulations governing the use of those monies for the purposes of providing employment and training services.

Food Stamp and Commodity Fund--to account for food stamps and commodities received from the federal government.

Department of Revenue

Local Government Tax Fund--to account for 15% share of various sales taxes that will be distributed to cities and counties.

Illinois Affordable Housing Trust Fund--to account for a portion of the State real estate transfer tax used for grants and low or no interest mortgages or other loans to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single family and multi-family housing for low-income households.

Local Government Distributive Fund--to receive one-tenth of the State's income tax collections to distribute to various municipalities and counties within the State.

Personal Property Tax Replacement Fund--to allocate and disburse to each taxing district within the State the net revenue received from the personal property replacement income tax.

Build Illinois Fund--to receive a percentage of sales, hotel and privilege taxes to be used for monthly allocation to various State agencies for the purpose of promoting tourism related activities.

Department of Transportation

Motor Fuel Tax Fund--to account for the activities of various transportation related program expenditures and the administrative cost of supervising the use of funds apportioned to municipalities, counties, and road districts.

Federal High Speed Rail Trust Fund--to receive and record monies received pursuant to an agreement with the federal government regarding the federal share of the high speed rail project.

Downstate Public Transportation Fund--to provide financial assistance for local governments with public transportation systems.

Railsplitter Tobacco Settlement Authority

Railsplitter Trustee Account Fund--to account for the payment of principal and interest on bonds issued in exchange for rights to the State's future tobacco settlement revenues.

Illinois Gaming Board

State Gaming Fund--to receive and record fees obtained from owners' license applications for riverboat gambling operations.

State Board of Education

SBE Federal Department of Agriculture Fund--to account for the federal share of nutrition programs which provide nutritious meals for children and aging adults.

SBE Federal Department of Education Fund--to receive and disburse federal monies to provide financial assistance for educational programs funded by the U.S. Department of Education.

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State of Illinois

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2012 (Expressed in Thousands)

	Treasurer	Children and Family Services DCFS Children's Services Fund	Commerce and Economic Opportunity Supplemental Low Income Energy Assistance Fund	Human Services	Revenue
ASSETS					
Cash equity with State Treasurer	\$ 111,338	\$ 3,306	\$ 104,940	\$ 259	\$ 597,891
Cash and cash equivalents		289			
Securities lending collateral of State Treasurer					78,025
Investments					
Receivables, net:					
Taxes			7,482		184,209
Intergovernmental	103	258,154		50,799	
Other	5				55
Due from other funds	59,075	79	4,940		524,657
Due from component units					323,207
Inventories					
Loans and notes receivable, net					
Other assets					
Total assets	\$ 170,521	\$ 261,828	\$ 117,362	\$ 51,058	\$ 1,708,044
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,718	\$ 54,519	\$ 4,093	\$ 50,060	\$ 46,314
Intergovernmental payables	2,118	4,973	1,790	344	1,154,955
Due to other funds	1,103,184	524	18		135,783
Due to component units	30	3,637		152	323
Unavailable revenue		258,154			21,807
Unearned revenue				502	145,111
Obligations under securities lending of State Treasurer					78,025
Total liabilities	1,110,050	321,807	5,901	51,058	1,582,318
FUND BALANCES (DEFICITS)					
Nonspendable - inventories					
Restricted	65,961				
Committed	36,887		111,461		411,628
Assigned					
Unassigned	(1,042,377)	(59,979)			(285,902)
Total fund balances (deficits)	(939,529)	(59,979)	111,461		125,726
Total liabilities and fund balances (deficits)	\$ 170,521	\$ 261,828	\$ 117,362	\$ 51,058	\$ 1,708,044

		<div> <div>Railsplitter Tobacco Settlement Authority</div> <div>Illinois Gaming Board</div> </div>				
Transportation	Railsplitter Trustee Account Fund	State Gaming Fund	State Board of Education	Other	Total	
\$ 230,638	\$ 100,747	\$ 103,220	\$ 2,758	\$ 1,626,919	\$ 2,781,269	
				29,199	130,235	
				178,130	256,155	
	91,098			20,421	111,519	
103,304		6,672		68,735	370,402	
27,282			364,033	359,940	1,060,311	
	136,563	5,840	521	241,598	384,582	
143,762	1,103,165		975	382,284	2,218,937	
			82	16,909	340,198	
			2,235	13,405	15,640	
				56,976	56,976	
				7,202	7,202	
\$ 504,986	\$ 1,431,573	\$ 115,732	\$ 370,604	\$ 3,001,718	\$ 7,733,426	
\$ 29,574		\$ 1,310	\$ 2,633	\$ 368,494	\$ 561,715	
135,732		12,235	353,282	268,899	1,934,328	
97,792	\$ 59,049	94,316	7,566	345,000	1,843,232	
		7,871	3,564	39,264	54,841	
28,046	136,563		24,134	269,914	738,618	
128			1,533	162,194	309,468	
				178,130	256,155	
291,272	195,612	115,732	392,712	1,631,895	5,698,357	
			2,235	13,405	15,640	
44,987	1,235,961		117	418,630	1,765,656	
168,727				1,059,011	1,787,714	
				7,948	7,948	
			(24,460)	(129,171)	(1,541,889)	
213,714	1,235,961		(22,108)	1,369,823	2,035,069	
\$ 504,986	\$ 1,431,573	\$ 115,732	\$ 370,604	\$ 3,001,718	\$ 7,733,426	

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Treasurer	Children and Family Services	Commerce and Economic Opportunity	Supplemental Low Income Energy Assistance Fund	Human Services	Revenue
REVENUES						
Income taxes						\$ 2,217,853
Sales taxes						2,220,904
Motor fuel taxes						
Public utility taxes			\$ 99,043			231,652
Riverboat taxes						
Other taxes						128,623
Federal government	\$ 93,374	\$ 342,548			\$ 3,606,631	
Licenses and fees		332				20
Interest and other investment income	16					2,672
Other	166,223	5,272	2,791			7,014
Total revenues	259,613	348,152	101,834	3,606,631		4,808,738
EXPENDITURES						
Current:						
Health and social services	215,304	377,733	70,211	3,606,631		60
Education	230,000					
General government	9,343	1,620	5			52,149
Employment and economic development						5,110
Transportation						
Public protection and justice						
Environment and business regulations						
Debt service:						
Principal						
Interest						
Capital outlays	94		723			
Intergovernmental						4,226,882
Total expenditures	454,741	379,353	70,939	3,606,631		4,284,201
Excess (deficiency) of revenues over (under) expenditures	(195,128)	(31,201)	30,895	-		524,537
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in	235,571					293,008
Transfers-out	(2,718)					(709,775)
Capital lease financing						
Net other sources (uses) of financial resources	232,853					(416,767)
Net change in fund balances	37,725	(31,201)	30,895	-		107,770
Fund balances (deficits), July 1, 2011	(977,254)	(28,778)	80,566			17,956
Increase (decrease) for changes in inventories						
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (939,529)	\$ (59,979)	\$ 111,461	\$ -		\$ 125,726

		Railsplitter Tobacco Settlement Authority	Illinois Gaming Board			
Transportation		Railsplitter Trustee Account Fund	State Gaming Fund	State Board of Education	Other	Total
					\$ 165	\$ 2,218,018
\$ 173,468					475,423	2,869,795
699,391					69,545	768,936
					172,650	503,345
			\$ 495,055			495,055
1					261,503	390,127
114,685				\$ 2,061,779	2,824,999	9,044,016
771			1,799		610,916	613,838
	\$ 775			151	11,680	15,294
		273,127	2	6	407,705	862,140
988,316		273,902	496,856	2,061,936	4,834,586	17,780,564
			735		1,567,879	5,838,553
				2,074,213	210,267	2,514,480
47,665	60				139,787	250,629
					1,021,503	1,026,613
253,763					119,739	373,502
			43,688		378,661	422,349
					744,207	744,207
		59,375		42	203	59,620
		79,599		4	38	79,641
				4,714	21,090	26,621
561,217			106,281		435,118	5,329,498
862,645	139,034	150,704	2,078,973	4,638,492		16,665,713
125,671	134,868	346,152	(17,037)	196,094		1,114,851
					342,060	870,639
(78,097)	(233,553)	(346,152)		(364,708)		(1,735,003)
				241		241
(78,097)	(233,553)	(346,152)		(22,407)		(864,123)
47,574	(98,685)	-	(17,037)	173,687		250,728
166,140	1,334,646		(5,894)	1,196,708		1,784,090
			823	(572)		251
\$ 213,714	\$ 1,235,961	\$ -	\$ (22,108)	\$ 1,369,823	\$ 2,035,069	

State of Illinois**Combining Balance Sheet - Nonmajor Special Revenue Funds****Treasurer**

June 30, 2012 (Expressed in Thousands)

	Unclaimed Property Trust Fund	Tobacco Settlement Recovery Fund	Total
ASSETS			
Cash equity with State Treasurer	\$ 103,699	\$ 7,639	\$ 111,338
Receivables, net:			
Intergovernmental		103	103
Other		5	5
Due from other funds		59,075	59,075
Total assets	\$ 103,699	\$ 66,822	\$ 170,521
LIABILITIES			
Accounts payable and accrued liabilities	\$ 828	\$ 3,890	\$ 4,718
Intergovernmental payables	4	2,114	2,118
Due to other funds	19	1,103,165	1,103,184
Due to component units		30	30
Total liabilities	851	1,109,199	1,110,050
FUND BALANCES (DEFICITS)			
Restricted	65,961		65,961
Committed	36,887		36,887
Unassigned		(1,042,377)	(1,042,377)
Total fund balances (deficits)	102,848	(1,042,377)	(939,529)
Total liabilities and fund balances (deficits)	\$ 103,699	\$ 66,822	\$ 170,521

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Special Revenue Funds
Treasurer**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Unclaimed Property Trust Fund	Tobacco Settlement Recovery Fund	Total
REVENUES			
Federal government		\$ 93,374	\$ 93,374
Interest and other investment income		16	16
Other	\$ 165,408	815	166,223
Total revenues	165,408	94,205	259,613
EXPENDITURES			
Current:			
Health and social services		215,304	215,304
Education	230,000		230,000
General government	8,312	1,031	9,343
Capital outlays	94		94
Total expenditures	238,406	216,335	454,741
Excess (deficiency) of revenues over (under) expenditures	(72,998)	(122,130)	(195,128)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Transfers-in	2,018	233,553	235,571
Transfers-out	(218)	(2,500)	(2,718)
Net other sources (uses) of financial resources	1,800	231,053	232,853
Net change in fund balances	(71,198)	108,923	37,725
Fund balances (deficits), July 1, 2011	174,046	(1,151,300)	(977,254)
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 102,848	\$ (1,042,377)	\$ (939,529)

State of Illinois**Combining Balance Sheet - Nonmajor Special Revenue Funds****Human Services**

June 30, 2012 (Expressed in Thousands)

	Employment and Training Fund	Food Stamp and Commodity Fund	Total
ASSETS			
Cash equity with State Treasurer	\$ 259		\$ 259
Intergovernmental receivables, net	50,799		50,799
Total assets	\$ 51,058	\$ -	\$ 51,058
LIABILITIES			
Accounts payable and accrued liabilities	\$ 50,060		\$ 50,060
Intergovernmental payables	344		344
Due to component units	152		152
Unearned revenue	502		502
Total liabilities	51,058		51,058
FUND BALANCES			
Total fund balances			-
Total liabilities and fund balances	\$ 51,058	\$ -	\$ 51,058

*State of Illinois***Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Special Revenue Funds
Human Services**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Employment and Training Fund	Food Stamp and Commodity Fund	Total
REVENUES			
Federal government	\$ 511,537	\$ 3,095,094	\$ 3,606,631
Total revenues	511,537	3,095,094	3,606,631
EXPENDITURES			
Current:			
Health and social services	511,537	3,095,094	3,606,631
Total expenditures	511,537	3,095,094	3,606,631
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Net change in fund balances	-	-	-
Fund balances, July 1, 2011			
FUND BALANCES, JUNE 30, 2012	\$ -	\$ -	\$ -

State of Illinois

**Combining Balance Sheet - Nonmajor Special Revenue Funds
Revenue**

June 30, 2012 (Expressed in Thousands)

	Local Government Tax Fund	Illinois Affordable Housing Trust Fund	Local Government Distributive Fund	Personal Property Tax Replacement Fund	Build Illinois Fund	Total
ASSETS						
Cash equity with State Treasurer	\$ 272,079	\$ 41,931	\$ 14	\$ 272,895	\$ 10,972	\$ 597,891
Securities lending collateral of State Treasurer		18,656		51,007	8,362	78,025
Receivables, net:						
Taxes	88,939			58,625	36,645	184,209
Other		13		36	6	55
Due from other funds		9,023	506,184		9,450	524,657
Due from component units		323,207				323,207
Total assets	\$ 361,018	\$ 392,830	\$ 506,198	\$ 382,563	\$ 65,435	\$ 1,708,044
LIABILITIES						
Accounts payable and accrued liabilities		\$ 5		\$ 29,458	\$ 16,851	\$ 46,314
Intergovernmental payables	\$ 359,129		\$ 506,198	289,628		1,154,955
Due to other funds				135,783		135,783
Due to component units		323				323
Unavailable revenue	5,102			14,265	2,440	21,807
Unearned revenue				145,111		145,111
Obligations under securities lending of State Treasurer		18,656		51,007	8,362	78,025
Total liabilities	364,231	18,984	506,198	665,252	27,653	1,582,318
FUND BALANCES (DEFICITS)						
Committed		373,846			37,782	411,628
Unassigned	(3,213)			(282,689)		(285,902)
Total fund balances (deficits)	(3,213)	373,846		(282,689)	37,782	125,726
Total liabilities and fund balances (deficits)	\$ 361,018	\$ 392,830	\$ 506,198	\$ 382,563	\$ 65,435	\$ 1,708,044

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Special Revenue Funds
Revenue**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Local Government Tax Fund	Illinois Affordable Housing Trust Fund	Local Government Distributive Fund	Personal Property Tax Replacement Fund	Build Illinois Fund	Total
REVENUES						
Income taxes			\$ 1,199,453	\$ 1,018,400		\$ 2,217,853
Sales taxes	\$ 1,646,281		152,290		\$ 422,333	2,220,904
Public utility taxes				231,652		231,652
Other taxes		\$ 20,434			108,189	128,623
Licenses and fees		20				20
Interest and other investment income		2,239		350	83	2,672
Other		7,014				7,014
Total revenues	1,646,281	29,707	1,351,743	1,250,402	530,605	4,808,738
EXPENDITURES						
Current:						
Health and social services		60				60
General government		22,691		29,458		52,149
Employment and economic development					5,110	5,110
Intergovernmental	1,644,137		1,346,743	1,236,002		4,226,882
Total expenditures	1,644,137	22,751	1,346,743	1,265,460	5,110	4,284,201
Excess (deficiency) of revenues over (under) expenditures	2,144	6,956	5,000	(15,058)	525,495	524,537
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in				253,542	39,466	293,008
Transfers-out			(5,000)	(135,488)	(569,287)	(709,775)
Net other sources (uses) of financial resources			(5,000)	118,054	(529,821)	(416,767)
Net change in fund balances	2,144	6,956	-	102,996	(4,326)	107,770
Fund balances (deficits), July 1, 2011	(5,357)	366,890		(385,685)	42,108	17,956
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (3,213)	\$ 373,846	\$ -	\$ (282,689)	\$ 37,782	\$ 125,726

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds

Transportation

June 30, 2012 (Expressed in Thousands)

	Motor Fuel Tax Fund	Federal High Speed Rail Trust Fund	Downstate Public Transportation Fund	Total
ASSETS				
Cash equity with State Treasurer	\$ 108,659	\$ 91,409	\$ 30,570	\$ 230,638
Receivables, net:				
Taxes	103,304			103,304
Intergovernmental		27,282		27,282
Due from other funds			143,762	143,762
Total assets	\$ 211,963	\$ 118,691	\$ 174,332	\$ 504,986
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,237	\$ 19,325	\$ 12	\$ 29,574
Intergovernmental payables	103,042		32,690	135,732
Due to other funds	97,792			97,792
Unavailable revenue	764	27,282		28,046
Unearned revenue	128			128
Total liabilities	211,963	46,607	32,702	291,272
FUND BALANCES				
Restricted			44,987	44,987
Committed		72,084	96,643	168,727
Total fund balances		72,084	141,630	213,714
Total liabilities and fund balances	\$ 211,963	\$ 118,691	\$ 174,332	\$ 504,986

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Special Revenue Funds
Transportation**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Motor Fuel Tax Fund	Federal High Speed Rail Trust Fund	Downstate Public Transportation Fund	Total
REVENUES				
Sales taxes			\$ 173,468	\$ 173,468
Motor fuel taxes	\$ 699,391			699,391
Other taxes	1			1
Federal government	52	\$ 114,633		114,685
Licenses and fees	771			771
Total revenues	700,215	114,633	173,468	988,316
EXPENDITURES				
Current:				
General government	47,665			47,665
Transportation	13,236	74,331	166,196	253,763
Intergovernmental	561,217			561,217
Total expenditures	622,118	74,331	166,196	862,645
Excess (deficiency) of revenues over (under) expenditures	78,097	40,302	7,272	125,671
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Transfers-out	(78,097)			(78,097)
Net other sources (uses) of financial resources	(78,097)			(78,097)
Net change in fund balances	-	40,302	7,272	47,574
Fund balances, July 1, 2011		31,782	134,358	166,140
FUND BALANCES, JUNE 30, 2012	\$ -	\$ 72,084	\$ 141,630	\$ 213,714

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds

State Board of Education

June 30, 2012 (Expressed in Thousands)

	SBE Federal Department of Agriculture Fund	SBE Federal Department of Education Fund	Total
ASSETS			
Cash equity with State Treasurer	\$ 532	\$ 2,226	\$ 2,758
Receivables, net:			
Intergovernmental	33,586	330,447	364,033
Other	521		521
Due from other funds		975	975
Due from component units		82	82
Inventories	2,235		2,235
Total assets	\$ 36,874	\$ 333,730	\$ 370,604
LIABILITIES			
Accounts payable and accrued liabilities	\$ 384	\$ 2,249	\$ 2,633
Intergovernmental payables	33,878	319,404	353,282
Due to other funds	189	7,377	7,566
Due to component units		3,564	3,564
Unavailable revenue	71	24,063	24,134
Unearned revenue		1,533	1,533
Total liabilities	34,522	358,190	392,712
FUND BALANCES (DEFICITS)			
Nonspendable - inventories	2,235		2,235
Restricted	117		117
Unassigned		(24,460)	(24,460)
Total fund balances (deficits)	2,352	(24,460)	(22,108)
Total liabilities and fund balances (deficits)	\$ 36,874	\$ 333,730	\$ 370,604

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds State Board of Education

For the Year Ended June 30, 2012 (Expressed in Thousands)

	SBE Federal Department of Agriculture Fund	SBE Federal Department of Education Fund	Total
REVENUES			
Federal government	\$ 697,258	\$ 1,364,521	\$ 2,061,779
Interest and other investment income		151	151
Other	6		6
Total revenues	697,264	1,364,672	2,061,936
EXPENDITURES			
Current:			
Education	696,221	1,377,992	2,074,213
Debt service:			
Principal	18	24	42
Interest	2	2	4
Capital outlays	905	3,809	4,714
Total expenditures	697,146	1,381,827	2,078,973
Excess (deficiency) of revenues over (under) expenditures	118	(17,155)	(17,037)
Net change in fund balances	118	(17,155)	(17,037)
Fund balances (deficits), July 1, 2011	1,411	(7,305)	(5,894)
Increase (decrease) for changes in inventories	823		823
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 2,352	\$ (24,460)	\$ (22,108)

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DEBT SERVICE FUNDS

The Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

SIGNIFICANT NONMAJOR GOVERNMENTAL DEBT SERVICE FUNDS DESCRIPTIONS

Treasurer

General Obligation Bond Retirement and Interest Fund--to account for payments of principal and interest related to general obligation bonds. These bonds provide financing for the protection of the environment within the State; the acquisition, construction, reconstruction, extension, and improvement of highways; the acquisition, construction, reconstruction, and improvement of capital projects; the construction of facilities leased back to the State; and the development of mass transportation and aviation systems within the State.

Governor's Office of Management and Budget

Build Illinois Bond Retirement and Interest Fund--to account for the payment of principal and interest upon bonds issued to finance improvements related to existing or planned scientific research, manufacturing, or industrial development or expansion in Illinois. Funding consists of transfers from the Build Illinois Fund and investment income.

State of Illinois

**Combining Balance Sheet
Nonmajor Debt Service Funds**

June 30, 2012 (Expressed in Thousands)

	Governor's Office of Management and Budget			
	Treasurer			
	General Obligation Bond Retirement and Interest Fund	Build Illinois Bond Retirement and Interest Fund	Other	Total
ASSETS				
Cash equity with State Treasurer	\$ 1,290,184	\$ 4,260	\$ 9,205	\$ 1,303,649
Cash and cash equivalents	6,441	148,018	19,241	173,700
Securities lending collateral of State Treasurer	523,628	1,999		525,627
Other receivables, net	366	3		369
Due from other funds	3,843			3,843
Loans and notes receivable, net	12,032			12,032
Total assets	\$ 1,836,494	\$ 154,280	\$ 28,446	\$ 2,019,220
LIABILITIES				
Due to other funds	\$ 237			\$ 237
Unearned revenue	12,875			12,875
Obligations under securities lending of State Treasurer	523,628	\$ 1,999		525,627
Total liabilities	536,740	1,999		538,739
FUND BALANCES				
Restricted	1,299,754	152,281	\$ 28,446	1,480,481
Total fund balances	1,299,754	152,281	28,446	1,480,481
Total liabilities and fund balances	\$ 1,836,494	\$ 154,280	\$ 28,446	\$ 2,019,220

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Treasurer	Governor's Office of Management and Budget		
	General Obligation Bond Retirement and Interest Fund	Build Illinois Bond Retirement and Interest Fund	Other	Total
REVENUES				
Federal government	\$ 64,087			\$ 64,087
Licenses and fees	166			166
Interest and other investment income	5,226	\$ 59	\$ 2	5,287
Other	7			7
Total revenues	69,486	59	2	69,547
EXPENDITURES				
Current:				
General government	9,308	58		9,366
Employment and economic development			20	20
Transportation			1	1
Debt service:				
Principal	1,561,880	180,589	15,250	1,757,719
Interest	1,369,621	118,942	6,556	1,495,119
Total expenditures	2,940,809	299,589	21,827	3,262,225
Excess (deficiency) of revenues over (under) expenditures	(2,871,323)	(299,530)	(21,825)	(3,192,678)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
General obligation refunding bonds issued	1,797,740			1,797,740
Premiums on general obligation refunding bonds issued	165,789			165,789
Transfers-in	2,903,869	324,420	19,399	3,247,688
Transfers-out	(237)	(1,143)		(1,380)
Payments to refunded bond escrow agent	(1,934,435)			(1,934,435)
Net other sources (uses) of financial resources	2,932,726	323,277	19,399	3,275,402
Net change in fund balances	61,403	23,747	(2,426)	82,724
Fund balances, July 1, 2011	1,238,351	128,534	30,872	1,397,757
FUND BALANCES, JUNE 30, 2012	\$ 1,299,754	\$ 152,281	\$ 28,446	\$ 1,480,481

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CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition and/or construction of capital facilities and other capital assets.

SIGNIFICANT NONMAJOR GOVERNMENTAL CAPITAL PROJECTS FUNDS DESCRIPTIONS

Department of Commerce and Economic Opportunity

Build Illinois Bond Fund--to account for the proceeds from bond issues of the Build Illinois Bond Program to finance improvements related to scientific research, manufacturing, and industrial development or expansion.

Department of Transportation

Transportation Bond Series A Fund--to account for the proceeds from bond issues to finance State highway acquisition, construction, reconstruction, extension, and improvements.

Transportation Bond Series B Fund--to account for the proceeds from bond issues used to finance mass transportation and aviation infrastructure including, but not limited to, the acquisition of mass transportation equipment, including rail and bus, and other equipment for counties under the Regional Transportation Authority.

Transportation Bond Series D Fund--to account for the proceeds from bond issues used to finance State highways, arterial highways, freeways, roads, bridges, structures separating highways and railroads and roads, and bridges on roads maintained by counties, municipalities, townships or road districts.

Capital Development Board

Capital Development Fund--to account for the proceeds from bond issues to finance capital development projects within the State.

School Construction Fund--to account for the proceeds from bond issues to finance school construction building projects.

CDB Contributory Trust Fund--to account for local, state, and federal funding for the construction and remodeling of buildings and the purchase of land and equipment in connection with the various contributing educational institutions, State departments, and agencies as authorized by law.

State of Illinois

**Combining Balance Sheet
Nonmajor Capital Projects Funds**

June 30, 2012 (Expressed in Thousands)

	Commerce and Economic Opportunity		Capital Development Board			
	Build Illinois Bond Fund	Transportation		Other	Total	
ASSETS						
Cash equity with State Treasurer	\$ 419,545	\$ 788,617	\$ 229,580	\$ 26,055	\$ 1,463,797	
Cash and cash equivalents			10,400	11	10,411	
Receivables, net:						
Intergovernmental			1,002		1,002	
Other		10			10	
Due from other funds	26,396	149	14,326	5,178	46,049	
Total assets	\$ 445,941	\$ 788,776	\$ 255,308	\$ 31,244	\$ 1,521,269	
LIABILITIES						
Accounts payable and accrued liabilities	\$ 624	\$ 100,430	\$ 46,952		\$ 148,006	
Intergovernmental payables	2,961	166,408	9,305		178,674	
Due to other funds	91	32	81		204	
Due to component units		1			1	
Unavailable revenue		10			10	
Unearned revenue			1,301		1,301	
Total liabilities	3,676	266,881	57,639		328,196	
FUND BALANCES						
Restricted				\$ 195	195	
Committed	442,265	533,559	197,669	31,038	1,204,531	
Assigned				11	11	
Unassigned		(11,664)			(11,664)	
Total fund balances	442,265	521,895	197,669	31,244	1,193,073	
Total liabilities and fund balances	\$ 445,941	\$ 788,776	\$ 255,308	\$ 31,244	\$ 1,521,269	

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances**

Nonmajor Capital Projects Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Commerce and Economic Opportunity		Capital Development Board	Other	Total
	Build Illinois Bond Fund	Transportation			
REVENUES					
Federal government			\$ 23,916		\$ 23,916
Other	\$ 49		5,320	\$ 18	5,387
Total revenues	49		29,236	18	29,303
EXPENDITURES					
Current:					
Health and social services	72,530				72,530
Education	54,640		433,802		488,442
General government	37,897	\$ 1,403	33,991		73,291
Employment and economic development	163,885		22,537	15,755	202,177
Transportation		588,682		1,620	590,302
Public protection and justice			2,444		2,444
Environment and business regulations	14,092		10,768	32,363	57,223
Capital outlays	478	619,181	75,632		695,291
Total expenditures	343,522	1,209,266	579,174	49,738	2,181,700
Excess (deficiency) of revenues over (under) expenditures	(343,473)	(1,209,266)	(549,938)	(49,720)	(2,152,397)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
General and special obligation bonds issued	725,040	800,000	502,500	72,500	2,100,040
Premiums on general and special obligation bonds issued	12,965	50,464	16,753	86	80,268
Transfers-in		322,853		1,308	324,161
Transfers-out	(24,689)	(198,800)	(124,216)	(2,532)	(350,237)
Net other sources (uses) of financial resources	713,316	974,517	395,037	71,362	2,154,232
Net change in fund balances	369,843	(234,749)	(154,901)	21,642	1,835
Fund balances, July 1, 2011	72,422	756,644	352,570	9,602	1,191,238
FUND BALANCES, JUNE 30, 2012	\$ 442,265	\$ 521,895	\$ 197,669	\$ 31,244	\$ 1,193,073

*State of Illinois***Combining Balance Sheet - Nonmajor Capital Projects Funds****Transportation**

June 30, 2012 (Expressed in Thousands)

	Transportation Bond Series A Fund	Transportation Bond Series B Fund	Transportation Bond Series D Fund	Total
ASSETS				
Cash equity with State Treasurer	\$ 50,549	\$ 524,851	\$ 213,217	\$ 788,617
Other receivables, net	10			10
Due from other funds			149	149
Total assets	\$ 50,559	\$ 524,851	\$ 213,366	\$ 788,776
LIABILITIES				
Accounts payable and accrued liabilities	\$ 40,776	\$ 33,423	\$ 26,231	\$ 100,430
Intergovernmental payables	21,437	137,461	7,510	166,408
Due to other funds		32		32
Due to component units		1		1
Unavailable revenue	10			10
Total liabilities	62,223	170,917	33,741	266,881
FUND BALANCES (DEFICITS)				
Committed		353,934	179,625	533,559
Unassigned	(11,664)			(11,664)
Total fund balances (deficits)	(11,664)	353,934	179,625	521,895
Total liabilities and fund balances (deficits)	\$ 50,559	\$ 524,851	\$ 213,366	\$ 788,776

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Capital Projects Funds
Transportation**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Transportation Bond Series A Fund	Transportation Bond Series B Fund	Transportation Bond Series D Fund	Total
EXPENDITURES				
Current:				
General government			\$ 1,403	\$ 1,403
Transportation	\$ 110,083	\$ 329,794	148,805	588,682
Capital outlays	330,117	7,149	281,915	619,181
Total expenditures	440,200	336,943	432,123	1,209,266
Excess (deficiency) of revenues over (under) expenditures	(440,200)	(336,943)	(432,123)	(1,209,266)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
General and special obligation bonds issued		550,000	250,000	800,000
Premiums on general and special obligation bonds issued		36,021	14,443	50,464
Transfers-in			322,853	322,853
Transfers-out	(198,800)			(198,800)
Net other sources (uses) of financial resources	(198,800)	586,021	587,296	974,517
Net change in fund balances	(639,000)	249,078	155,173	(234,749)
Fund balances, July 1, 2011	627,336	104,856	24,452	756,644
FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (11,664)	\$ 353,934	\$ 179,625	\$ 521,895

*State of Illinois***Combining Balance Sheet - Nonmajor Capital Projects Funds****Capital Development Board**

June 30, 2012 (Expressed in Thousands)

	Capital Development Fund	School Construction Fund	CDB Contributory Trust Fund	Total
ASSETS				
Cash equity with State Treasurer	\$ 58,546	\$ 169,073	\$ 1,961	\$ 229,580
Cash and cash equivalents	10,400			10,400
Intergovernmental receivables, net			1,002	1,002
Due from other funds	10,024		4,302	14,326
Total assets	\$ 78,970	\$ 169,073	\$ 7,265	\$ 255,308
LIABILITIES				
Accounts payable and accrued liabilities	\$ 41,418		\$ 5,534	\$ 46,952
Intergovernmental payables	2,124	\$ 7,181		9,305
Due to other funds	81			81
Unearned revenue			1,301	1,301
Total liabilities	43,623	7,181	6,835	57,639
FUND BALANCES				
Committed	35,347	161,892	430	197,669
Total fund balances	35,347	161,892	430	197,669
Total liabilities and fund balances	\$ 78,970	\$ 169,073	\$ 7,265	\$ 255,308

State of Illinois

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Capital Projects Funds
Capital Development Board**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Capital Development Fund	School Construction Fund	CDB Contributory Trust Fund	Total
REVENUES				
Federal government			\$ 23,916	\$ 23,916
Other			5,320	5,320
Total revenues			29,236	29,236
EXPENDITURES				
Current:				
Education	\$ 145,664	\$ 283,203	4,935	433,802
General government	33,639		352	33,991
Employment and economic development	22,537			22,537
Public protection and justice	2,444			2,444
Environment and business regulations	10,768			10,768
Capital outlays	51,804		23,828	75,632
Total expenditures	266,856	283,203	29,115	579,174
Excess (deficiency) of revenues over (under) expenditures	(266,856)	(283,203)	121	(549,938)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
General and special obligation bonds issued	202,500	300,000		502,500
Premiums on general and special obligation bonds issued	12,032	4,721		16,753
Transfers-out		(124,053)	(163)	(124,216)
Net other sources (uses) of financial resources	214,532	180,668	(163)	395,037
Net change in fund balances	(52,324)	(102,535)	(42)	(154,901)
Fund balances, July 1, 2011	87,671	264,427	472	352,570
FUND BALANCES, JUNE 30, 2012	\$ 35,347	\$ 161,892	\$ 430	\$ 197,669

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ENTERPRISE FUNDS

Enterprise Funds are maintained to account for the operations where the intent of the State is to provide services to the general public in a manner similar to private business enterprises.

SIGNIFICANT NONMAJOR ENTERPRISE FUNDS DESCRIPTIONS

Department of the Lottery

State Lottery Fund--to account for all receipts and expenses from the operation of the State Lottery. The net proceeds are transferred to the Common School Account in the General Fund.

Student Assistance Commission

Federal Student Loan Fund--to account for the Federal Family Education Loan Program which funds the repayment of guaranteed loans that have gone into default to lenders.

Illinois Designated Account Purchase Program Fund--to purchase guaranteed student loans from lenders in order to reduce the lenders' collection and administration costs, and to act as a servicer of student loans.

State of Illinois

Combining Statement of Net Assets

Nonmajor Enterprise Funds

June 30, 2012 (Expressed in Thousands)

	Lottery		Student Assistance Commission	Other	Total
	State Lottery Fund				
ASSETS					
Cash equity with State Treasurer	\$ 141,986	\$ 36,352	\$ 88,269	\$ 266,607	
Cash and cash equivalents	12,088	9,356	3,622	25,066	
Securities lending collateral of State Treasurer		16,199	39,972	56,171	
Investments	58,064	6,997	26,096	91,157	
Receivables, net:					
Intergovernmental		30,076	1,006	31,082	
Other	22,106	11	9,422	31,539	
Due from other funds		2,740	5,326	8,066	
Due from component units			8	8	
Restricted assets:					
Cash and cash equivalents		48,672		48,672	
Other receivables, net		15,384		15,384	
Loans and notes receivable, net		113,318		113,318	
Unamortized bond issuance costs		765		765	
Prepaid expenses			322	322	
Total current assets	234,244	279,870	174,043	688,157	
Investments	302,031		13,320	315,351	
Restricted loans and notes receivable, net		696,092		696,092	
Unamortized bond issuance costs		5,250		5,250	
Capital assets not being depreciated			476	476	
Capital assets being depreciated, net	229	4	3,908	4,141	
Total noncurrent assets	302,260	701,346	17,704	1,021,310	
Total assets	536,504	981,216	191,747	1,709,467	
LIABILITIES					
Accounts payable and accrued liabilities	186,371	18,957	14,734	220,062	
Intergovernmental payables	27	10,180	34	10,241	
Due to other funds	18,604	5,003	3,324	26,931	
Due to component units			7,061	7,061	
Unearned revenue	5,427		27,122	32,549	
Obligations under securities lending of State Treasurer		16,199	39,972	56,171	
Short-term notes payable		275,957		275,957	
Current portion of long-term liabilities	57,180	4,173	1,913	63,266	
Total current liabilities	267,609	330,469	94,160	692,238	
Noncurrent portion of long-term liabilities	244,529	586,734	11,381	842,644	
Total liabilities	512,138	917,203	105,541	1,534,882	
NET ASSETS					
Invested in capital assets, net of related debt	229	4	4,384	4,617	
Net assets restricted for:					
Debt service		9,300		9,300	
Education		42,569		42,569	
Unrestricted	24,137	12,140	81,822	118,099	
Total net assets	\$ 24,366	\$ 64,013	\$ 86,206	\$ 174,585	

State of Illinois

**Combining Statement of Revenues, Expenses
and Changes in Net Assets
Nonmajor Enterprise Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Lottery		Student Assistance Commission	Other	Total
	State Lottery Fund				
OPERATING REVENUES					
Charges for sales and services	\$ 2,676,996	\$ 23,688	\$ 122,778	\$ 2,823,462	
Interest income pledged as revenue bond security		36,110		36,110	
Interest and other investment income			1	1	
Other	5,383			5,383	
Total operating revenues	2,682,379	59,798	122,779	2,864,956	
OPERATING EXPENSES					
Cost of sales and services	151,421	189,251	57,909	398,581	
Benefit payments and refunds			44,668	44,668	
Prizes and claims	1,620,405			1,620,405	
Interest		6,097	21,112	27,209	
General and administrative	152,205	26,091	40,254	218,550	
Depreciation	107	7	668	782	
Other			11,421	11,421	
Total operating expenses	1,924,138	221,446	176,032	2,321,616	
Operating income (loss)	758,241	(161,648)	(53,253)	543,340	
NONOPERATING REVENUES (EXPENSES)					
Interest and investment income	37,622	153	695	38,470	
Interest expense	(17,186)			(17,186)	
Federal government		182,872	107	182,979	
Other expenses	(4)	(9,422)	(2)	(9,428)	
Income (loss) before transfers	778,673	11,955	(52,453)	738,175	
Transfers-in		4,595	26,046	30,641	
Transfers-out	(758,237)	(26,046)	(30,230)	(814,513)	
Change in net assets	20,436	(9,496)	(56,637)	(45,697)	
Net assets, July 1, 2011, as restated	3,930	73,509	142,843	220,282	
NET ASSETS, JUNE 30, 2012	\$ 24,366	\$ 64,013	\$ 86,206	\$ 174,585	

State of Illinois

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Lottery	Student Assistance	Other	Total
	State Lottery Fund	Commission		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from sales and services		\$ 113,262	\$ 113,922	\$ 227,184
Cash received from lottery sales	\$ 2,669,984			2,669,984
Cash payments to suppliers for goods and services	(108,461)	(5,253)	(51,273)	(164,987)
Cash payments to employees for services	(14,998)	(1,826)	(58,273)	(75,097)
Cash payments for lottery prizes	(1,561,172)			(1,561,172)
Cash payments for commissions and bonuses	(151,421)			(151,421)
Cash receipts of student loan principal		133,935		133,935
Cash receipts of student loan interest		23,640		23,640
Cash payments for student loans issued		(9,819)		(9,819)
Cash receipts from other operating activities	5,021		828	5,849
Cash payments for other operating activities		(277,217)	(31,581)	(308,798)
Net cash provided (used) by operating activities	838,953	(23,278)	(26,377)	789,298
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal paid on revenue bonds and other borrowings		(147,997)		(147,997)
Interest paid on revenue bonds and other borrowings		(9,309)	(71,422)	(80,731)
Grants received		185,827	106	185,933
Grants paid		(9,789)		(9,789)
Transfers-in from other funds		4,757	76,878	81,635
Transfers-out to other funds	(708,289)	(25,378)	(30,394)	(764,061)
Net cash provided (used) by noncapital financing activities	(708,289)	(1,889)	(24,832)	(735,010)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(71)		(1,539)	(1,610)
Net cash provided (used) by capital and related financing activities	(71)		(1,539)	(1,610)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(19,882)	(8,000)	(59,746)	(87,628)
Proceeds from sales and maturities of investment securities	68,653	24,858	55,689	149,200
Cash paid for long-term annuity prizes payable	(68,581)			(68,581)
Interest and dividends on investments		371	719	1,090
Net cash provided (used) by investing activities	(19,810)	17,229	(3,338)	(5,919)
Net increase (decrease) in cash and cash equivalents	110,783	(7,938)	(56,086)	46,759
Cash and cash equivalents, July 1, 2011, as restated	43,291	102,318	147,977	293,586
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 154,074	\$ 94,380	\$ 91,891	\$ 340,345
Reconciliation of cash and cash equivalents to the statement of net assets:				
Total cash and cash equivalents per Statement of Net Assets	\$ 12,088	\$ 9,356	\$ 3,622	\$ 25,066
Add: cash equity with State Treasurer	141,986	36,352	88,269	266,607
Add: restricted cash equivalents		48,672		48,672
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 154,074	\$ 94,380	\$ 91,891	\$ 340,345

(continued)

State of Illinois

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

(continued)

	<u>Lottery</u>			
	State Lottery	Student	Other	Total
	Fund	Assistance		
		Commission		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
OPERATING INCOME (LOSS)	\$ 758,241	\$ (161,648)	\$ (53,253)	\$ 543,340
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	107	7	668	782
Provision for uncollectible accounts	779	15,475		16,254
Amortization		2,586		2,586
Interest and investment income		(343)		(343)
Interest expense		6,097	20,937	27,034
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(9,523)	1,828	(545)	(8,240)
(Increase) decrease in intergovernmental receivables			65	65
(Increase) decrease in due from other funds		(174)	1,082	908
(Increase) decrease in due from component units			(8)	(8)
(Increase) decrease in loans and notes receivable		112,379		112,379
(Increase) decrease in inventory	248			248
(Increase) decrease in prepaid expenses	120		(96)	24
(Increase) decrease in other assets		1		1
Increase (decrease) in accounts payable and accrued liabilities	67,928	1,475	(2,439)	66,964
Increase (decrease) in intergovernmental payables	27	215	30	272
Increase (decrease) in due to other funds		(1,156)	243	(913)
Increase (decrease) in due to component units			7,061	7,061
Increase (decrease) in unearned revenue	1,642		694	2,336
Increase (decrease) in other liabilities	(426)	(20)	(816)	(1,262)
Increase (decrease) in long-term annuity prizes payable	19,810			19,810
Total adjustments	80,712	138,370	26,876	245,958
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 838,953	\$ (23,278)	\$ (26,377)	\$ 789,298
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Gain (Loss) on disposal of assets	\$ (4)		\$ (2)	\$ (6)
Increase (decrease) in fair value of investments	20,436	\$ 252	(52)	20,636
Interest accreted on investments	17,186			17,186
Interest accreted on long-term annuity prizes payable	(17,186)			(17,186)

State of Illinois

Combining Statement of Net Assets - Nonmajor Enterprise Funds

Student Assistance Commission

June 30, 2012 (Expressed in Thousands)

	Federal Student Loan Fund	Illinois Designated Account Purchase Program Fund	Total
ASSETS			
Cash equity with State Treasurer	\$ 36,352		\$ 36,352
Cash and cash equivalents		\$ 9,356	9,356
Securities lending collateral of State Treasurer	16,199		16,199
Investments		6,997	6,997
Receivables, net:			
Intergovernmental	30,076		30,076
Other	11		11
Due from other funds	2,559	181	2,740
Restricted assets:			
Cash and cash equivalents		48,672	48,672
Other receivables, net		15,384	15,384
Loans and notes receivable, net		113,318	113,318
Unamortized bond issuance costs		765	765
Total current assets	85,197	194,673	279,870
Restricted loans and notes receivable, net		696,092	696,092
Unamortized bond issuance costs		5,250	5,250
Capital assets being depreciated, net		4	4
Total noncurrent assets		701,346	701,346
Total assets	85,197	896,019	981,216
LIABILITIES			
Accounts payable and accrued liabilities	16,816	2,141	18,957
Intergovernmental payables	8,006	2,174	10,180
Due to other funds	1,607	3,396	5,003
Obligations under securities lending of State Treasurer	16,199		16,199
Short-term notes payable		275,957	275,957
Current portion of long-term liabilities		4,173	4,173
Total current liabilities	42,628	287,841	330,469
Noncurrent portion of long-term liabilities		586,734	586,734
Total liabilities	42,628	874,575	917,203
NET ASSETS			
Invested in capital assets, net of related debt		4	4
Net assets restricted for:			
Debt service		9,300	9,300
Education	42,569		42,569
Unrestricted		12,140	12,140
Total net assets	\$ 42,569	\$ 21,444	\$ 64,013

State of Illinois
**Combining Statement of Revenues, Expenses
and Changes in Net Assets - Nonmajor Enterprise Funds
Student Assistance Commission**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Federal Student Loan Fund	Illinois Designated Account Purchase Program Fund	Total
OPERATING REVENUES			
Charges for sales and services	\$ 23,688		\$ 23,688
Interest income pledged as revenue bond security		\$ 36,110	36,110
Total operating revenues	23,688	36,110	59,798
OPERATING EXPENSES			
Cost of sales and services	189,251		189,251
Interest		6,097	6,097
General and administrative		26,091	26,091
Depreciation		7	7
Total operating expenses	189,251	32,195	221,446
Operating income (loss)	(165,563)	3,915	(161,648)
NONOPERATING REVENUES (EXPENSES)			
Interest and investment income	153		153
Federal government	182,872		182,872
Other expenses		(9,422)	(9,422)
Income (loss) before transfers	17,462	(5,507)	11,955
Transfers-in	4,595		4,595
Transfers-out	(26,046)		(26,046)
Change in net assets	(3,989)	(5,507)	(9,496)
Net assets, July 1, 2011	46,558	26,951	73,509
NET ASSETS, JUNE 30, 2012	\$ 42,569	\$ 21,444	\$ 64,013

State of Illinois

Combining Statement of Cash Flows - Nonmajor Enterprise Funds

Student Assistance Commission

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Federal Student Loan Fund	Designated Account Purchase Program Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales and services	\$ 113,262		\$ 113,262
Cash payments to suppliers for goods and services		\$ (5,253)	(5,253)
Cash payments to employees for services		(1,826)	(1,826)
Cash receipts of student loan principal		133,935	133,935
Cash receipts of student loan interest		23,640	23,640
Cash payments for student loans issued		(9,819)	(9,819)
Cash payments for other operating activities	(277,217)		(277,217)
Net cash provided (used) by operating activities	(163,955)	140,677	(23,278)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal paid on revenue bonds and other borrowings		(147,997)	(147,997)
Interest paid on revenue bonds and other borrowings		(9,309)	(9,309)
Grants received	185,827		185,827
Grants paid		(9,789)	(9,789)
Transfers-in from other funds	4,757		4,757
Transfers-out to other funds	(25,378)		(25,378)
Net cash provided (used) by noncapital financing activities	165,206	(167,095)	(1,889)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities		(8,000)	(8,000)
Proceeds from sales and maturities of investment securities		24,858	24,858
Interest and dividends on investments	156	215	371
Net cash provided (used) by investing activities	156	17,073	17,229
Net increase (decrease) in cash and cash equivalents	1,407	(9,345)	(7,938)
Cash and cash equivalents, July 1, 2011	34,945	67,373	102,318
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 36,352	\$ 58,028	\$ 94,380
Reconciliation of cash and cash equivalents to the statement of net assets:			
Total cash and cash equivalents per statement of net assets		\$ 9,356	\$ 9,356
Add: cash equity with State Treasurer	\$ 36,352		36,352
Add: restricted cash equivalents		48,672	48,672
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 36,352	\$ 58,028	\$ 94,380
Reconciliation of operating income (loss) to net cash used by operating activities:			
OPERATING INCOME (LOSS)	\$ (165,563)	\$ 3,915	\$ (161,648)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation		7	7
Provision for uncollectible accounts		15,475	15,475
Amortization		2,586	2,586
Interest and investment income		(343)	(343)
Interest expense		6,097	6,097
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		1,828	1,828
(Increase) decrease in due from other funds	6	(180)	(174)
(Increase) decrease in loans and notes receivable		112,379	112,379
(Increase) decrease in other assets		1	1
Increase (decrease) in accounts payable and accrued liabilities	1,388	87	1,475
Increase (decrease) in intergovernmental payables	215		215
Increase (decrease) in due to other funds	(1)	(1,155)	(1,156)
Increase (decrease) in other liabilities		(20)	(20)
Total adjustments	1,608	136,762	138,370
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (163,955)	\$ 140,677	\$ (23,278)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Increase (decrease) in fair value of investments		\$ 252	\$ 252

INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the operations of State agencies which render services to other State agencies or governmental units on a cost-reimbursement basis.

SIGNIFICANT INTERNAL SERVICE FUNDS DESCRIPTIONS

Office of the Auditor General

Audit Expense Fund--to account for the costs in association with conducting audits in accordance with State Auditing Act .

Department of Central Management Services

State Garage Revolving Fund--to account for the operation and maintenance of State garages including the servicing and repair of all automotive equipment owned or controlled by the State. Revenues consist of charges to user agencies.

Statistical Services Revolving Fund--to account for the purchase, maintenance, and operation of electronic data processing and information devices used by State agencies. Revenues consist of charges from the user agencies.

Communications Revolving Fund--to account for the expenses related to telecommunications services for State agencies. Revenues consist of charges from user agencies.

Facilities Management Fund--to account for rental, maintenance, and other expenses related to the use of buildings by State agencies. Revenues consist of charges from user agencies.

Professional Services Fund--to account for the cost of professional services rendered by the Department of Central Management Services on behalf of other agencies. Revenues consist of charges from user agencies.

Workers' Compensation Revolving Fund--to account for workers' compensation expenses of State employees. Revenues consist of charges from the funds which paid the employees during the employees' active service.

Department of Corrections

Working Capital Revolving Fund--to account for the income and expenses associated with the production by factories, farms and service programs at several State correctional facilities for use by other State agencies.

Department of Healthcare and Family Services

Health Insurance Reserve Fund--to account for the self-insurance medical and dental plan for State employees, retirees and qualified dependents. This fund records all contributions, appropriations, interest, dividends, and expenses related to the plan.

State of Illinois

Combining Statement of Net Assets

Internal Service Funds

June 30, 2012 (Expressed in Thousands)

	Auditor General		Central	Corrections	Healthcare and		
	Audit Expense		Management	Working Capital	Health Insurance	Other	Total
	Fund		Services	Revolving Fund	Reserve Fund		
ASSETS							
Cash equity with State Treasurer	\$ 7,155	\$	62,844	\$ 4,495	\$ 106,976	\$ 176	\$ 181,646
Cash and cash equivalents			4,031		60,612		64,643
Securities lending collateral of State Treasurer			17,088		85,784		102,872
Receivables, net:							
Intergovernmental	27		13,778	51	9,833		23,689
Other			2,446	793	22,468	10,092	35,799
Due from other funds	18,080		768,326	9,051	1,192,435	411	1,988,303
Due from component units	1,284		965	147	30,364	914	33,674
Inventories			1,762	6,797			8,559
Prepaid expenses				43			43
Total current assets	26,546		871,240	21,377	1,508,472	11,593	2,439,228
Capital assets not being depreciated			57,884				57,884
Capital assets being depreciated, net			211,943	2,188	7		214,138
Total noncurrent assets			269,827	2,188	7		272,022
Total assets	26,546		1,141,067	23,565	1,508,479	11,593	2,711,250
LIABILITIES							
Accounts payable and accrued liabilities	5,248		54,755	2,496	1,421,513	5,360	1,489,372
Intergovernmental payables			17,119	38	11		17,168
Due to other funds	1		19,058	1,754	817	5,738	27,368
Due to component units			961	1			962
Unearned revenue			1,313				1,313
Obligations under securities lending of State Treasurer			17,088		85,784		102,872
Current portion of long-term liabilities			141,394	299	28		141,721
Total current liabilities	5,249		251,688	4,588	1,508,153	11,098	1,780,776
Noncurrent portion of long-term liabilities			457,591	914	326		458,831
Total liabilities	5,249		709,279	5,502	1,508,479	11,098	2,239,607
NET ASSETS							
Invested in capital assets, net of related debt			246,048	2,138	7		248,193
Restricted for debt service			4,031				4,031
Unrestricted	21,297		181,709	15,925	(7)	495	219,419
Total net assets	\$ 21,297	\$	431,788	\$ 18,063	\$ -	\$ 495	\$ 471,643

State of Illinois

**Combining Statement of Revenues, Expenses
and Changes in Net Assets**

Internal Service Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	<u>Auditor General</u>		<u>Corrections</u>		<u>Healthcare and Family Services</u>		
	<u>Audit Expense Fund</u>	<u>Central Management Services</u>	<u>Working Capital Revolving Fund</u>	<u>Health Insurance Reserve Fund</u>	<u>Other</u>	<u>Total</u>	
OPERATING REVENUES							
Charges for sales and services	\$ 22,876	\$ 614,012	\$ 50,757	\$ 2,360,844	\$ 21,339	\$ 3,069,828	
Federal government		22,480		701		23,181	
Other		25			2	27	
Total operating revenues	22,876	636,517	50,757	2,361,545	21,341	3,093,036	
OPERATING EXPENSES							
Cost of sales and services	18,358	433,569	26,460		21,233	499,620	
Benefit payments and refunds		105,246		2,221,064		2,326,310	
Interest				94,667		94,667	
General and administrative		30,418	22,783	84,214	58	137,473	
Depreciation		23,356	623	3		23,982	
Other		12,761				12,761	
Total operating expenses	18,358	605,350	49,866	2,399,948	21,291	3,094,813	
Operating income (loss)	4,518	31,167	891	(38,403)	50	(1,777)	
NONOPERATING REVENUES (EXPENSES)							
Interest and investment income		192		428	37	657	
Interest expense		(1,572)	(8)			(1,580)	
Federal government				37,975		37,975	
Other revenues			603			603	
Other expenses		(17)				(17)	
Income (loss) before transfers	4,518	29,770	1,486	-	87	35,861	
Contributions of capital assets		15,217				15,217	
Transfers-in		14,100				14,100	
Transfers-out					(73)	(73)	
Change in net assets	4,518	59,087	1,486	-	14	65,105	
Net assets, July 1, 2011	16,779	372,701	16,577		481	406,538	
NET ASSETS, JUNE 30, 2012	\$ 21,297	\$ 431,788	\$ 18,063	\$ -	\$ 495	\$ 471,643	

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Auditor General		Corrections		Healthcare and Family Services		
	Audit Expense Fund	Central Management Services	Working Capital Revolving Fund	Health Insurance Reserve Fund	Other	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from sales and services	\$ 1,914	\$ 32,646	\$ 1,519	\$ 122,993	\$ 4	\$ 159,076	
Cash received from transactions with other funds	3,187	652,411	57,682	2,290,491	28,936	3,032,707	
Cash payments to suppliers for goods and services	(17,219)	(383,151)	(47,070)	(2,399,782)	(30,634)	(2,877,856)	
Cash payments to employees for services	(594)	(131,747)	(10,105)	(5,430)		(147,876)	
Cash payments for workers compensation		(125,234)				(125,234)	
Cash receipts from other operating activities		25	598	47,798	2	48,423	
Net cash provided (used) by operating activities	(12,712)	44,950	2,624	56,070	(1,692)	89,240	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Interest paid on other borrowings		(138)				(138)	
Grants received				37,890		37,890	
Transfers-in from other funds		4,100				4,100	
Transfers-out to other funds					(73)	(73)	
Net cash provided (used) by noncapital financing activities		3,962		37,890	(73)	41,779	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets		(26,585)	(918)			(27,503)	
Principal paid on capital debt		(7,090)	(7)			(7,097)	
Interest paid on capital debt		(1,522)	(8)			(1,530)	
Proceeds from sales of capital assets			7			7	
Net cash provided (used) by capital and related financing activities		(35,197)	(926)			(36,123)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends on investments		191		390	39	620	
Net cash provided (used) by investing activities		191		390	39	620	
Net increase (decrease) in cash and cash equivalents	(12,712)	13,906	1,698	94,350	(1,726)	95,516	
Cash and cash equivalents, July 1, 2011	19,867	52,969	2,797	73,238	1,902	150,773	
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 7,155	\$ 66,875	\$ 4,495	\$ 167,588	\$ 176	\$ 246,289	
Reconciliation of cash and cash equivalents to the statement of net assets:							
Total cash and cash equivalents per statement of net assets		\$ 4,031		\$ 60,612		\$ 64,643	
Add: cash equity with State Treasurer	\$ 7,155	62,844	\$ 4,495	106,976	\$ 176	181,646	
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 7,155	\$ 66,875	\$ 4,495	\$ 167,588	\$ 176	\$ 246,289	

(continued)

State of Illinois

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

(continued)

	Auditor General		Corrections		Healthcare and Family Services			
	Audit Expense Fund	Central Management Services	Working Capital Revolving Fund	Health Insurance Reserve Fund	Other	Total		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
OPERATING INCOME (LOSS)	\$ 4,518	\$ 31,167	\$ 891	\$ (38,403)	\$ 50	\$ (1,777)		
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation		23,356	623	3		23,982		
Provision for uncollectible accounts		77	598			675		
Cash receipts from other nonoperating income								
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable		(222)	157	(3,378)	(3,513)	(6,956)		
(Increase) decrease in intergovernmental receivables	(27)	(10,515)	(4)	(701)		(11,247)		
(Increase) decrease in due from other funds	(17,767)	50,945	8,190	49,710	(124)	90,954		
(Increase) decrease in due from component units	19	(342)	(125)	2,930	85	2,567		
(Increase) decrease in inventories		37	450			487		
(Increase) decrease in prepaid expenses			(33)			(33)		
Increase (decrease) in accounts payable and accrued liabilities	552	(24,065)	(8,000)	46,437	71	14,995		
Increase (decrease) in intergovernmental payables		4,442	12	1		4,455		
Increase (decrease) in due to other funds	(7)	355	224	(342)	1,739	1,969		
Increase (decrease) in due to component units		(23)	(2)			(25)		
Increase (decrease) in unearned revenue		(2,362)				(2,362)		
Increase (decrease) in other liabilities		(27,900)	(357)	(187)		(28,444)		
Total adjustments	(17,230)	13,783	1,733	94,473	(1,742)	91,017		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (12,712)	\$ 44,950	\$ 2,624	\$ 56,070	\$ (1,692)	\$ 89,240		
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES								
Gain (loss) on disposal of capital assets		\$ (17)	\$ 1			\$ (16)		
Transfer of assets from other state funds		15,217				15,217		

State of Illinois

Combining Statement of Net Assets - Internal Service Funds

Central Management Services

June 30, 2012 (Expressed in Thousands)

	State Garage Revolving Fund	Statistical Services Revolving Fund	Communications Revolving Fund	Facilities Management Revolving Fund	Professional Services Fund	Workers' Compensation Revolving Fund	Total
ASSETS							
Cash equity with State Treasurer	\$ 6,339	\$ 12,370	\$ 14,473	\$ 3,756	\$ 7,893	\$ 18,013	\$ 62,844
Cash and cash equivalents				4,031			4,031
Securities lending collateral of State Treasurer				3,753	3,837	9,498	17,088
Receivables, net:							
Intergovernmental	50		13,728				13,778
Other	22		2,408	6	3	7	2,446
Due from other funds	19,235	62,465	61,144	69,764	9,472	546,246	768,326
Due from component units		28	893	44			965
Inventories	1,762						1,762
Total current assets	27,408	74,863	92,646	81,354	21,205	573,764	871,240
Capital assets not being depreciated			19,515	38,369			57,884
Capital assets being depreciated, net	3,780	7,880	12,382	187,901			211,943
Total noncurrent assets	3,780	7,880	31,897	226,270			269,827
Total assets	31,188	82,743	124,543	307,624	21,205	573,764	1,141,067
LIABILITIES							
Accounts payable and accrued liabilities	10,768	11,097	12,203	19,913	711	63	54,755
Intergovernmental payables	34	11,322	4,391	1,355	13	4	17,119
Due to other funds	1,337	15,687	705	889	330	110	19,058
Due to component units	1		760	200			961
Unearned revenue				1,313			1,313
Obligations under securities lending of State Treasurer				3,753	3,837	9,498	17,088
Current portion of long-term liabilities	206	1,451	890	3,352	43	135,452	141,394
Total current liabilities	12,346	39,557	18,949	30,775	4,934	145,127	251,688
Noncurrent portion of long-term liabilities	1,155	4,691	1,573	21,216	319	428,637	457,591
Total liabilities	13,501	44,248	20,522	51,991	5,253	573,764	709,279
NET ASSETS							
Invested in capital assets, net of related debt	3,741	6,957	31,105	204,245			246,048
Restricted for debt service				4,031			4,031
Unrestricted	13,946	31,538	72,916	47,357	15,952		181,709
Total net assets	\$ 17,687	\$ 38,495	\$ 104,021	\$ 255,633	\$ 15,952	\$ -	\$ 431,788

State of Illinois

**Combining Statement of Revenues, Expenses
and Changes in Net Assets - Internal Service Funds
Central Management Services**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	State Garage Revolving Fund	Statistical Services Revolving Fund	Communications Revolving Fund	Facilities Management Revolving Fund	Professional Services Fund	Workers' Compensation Revolving Fund	Total
OPERATING REVENUES							
Charges for sales and services	\$ 41,870	\$ 151,143	\$ 113,296	\$ 188,114	\$ 14,463	\$ 105,126	\$ 614,012
Federal government			22,480				22,480
Other	25						25
Total operating revenues	41,895	151,143	135,776	188,114	14,463	105,126	636,517
OPERATING EXPENSES							
Cost of sales and services	35,732	143,259	74,678	171,063	8,837		433,569
Benefit payments and refunds						105,246	105,246
General and administrative	8,284	2,227	10,340	9,455	112		30,418
Depreciation	292	5,581	4,963	12,520			23,356
Other	302		12,459				12,761
Total operating expenses	44,610	151,067	102,440	193,038	8,949	105,246	605,350
Operating income (loss)	(2,715)	76	33,336	(4,924)	5,514	(120)	31,167
NONOPERATING REVENUES							
Interest and investment income				37	35	120	192
Interest expense	(9)	(209)	(28)	(1,326)			(1,572)
Other expenses			(17)				(17)
Income (loss) before transfers	(2,724)	(133)	33,291	(6,213)	5,549	-	29,770
Contributions of capital assets		2,910	5,880	6,427			15,217
Transfers-in	14,100						14,100
Change in net assets	11,376	2,777	39,171	214	5,549	-	59,087
Net assets, July 1, 2011	6,311	35,718	64,850	255,419	10,403		372,701
NET ASSETS, JUNE 30, 2012	\$ 17,687	\$ 38,495	\$ 104,021	\$ 255,633	\$ 15,952	\$ -	\$ 431,788

State of Illinois

Combining Statement of Cash Flows - Internal Service Funds

Central Management Services

For the Year Ended June 30, 2012 (Expressed in Thousands)

	State Garage Revolving Fund	Statistical Services Revolving Fund	Communications Revolving Fund	Facilities Management Fund	Professional Services Fund	Workers' Compensation Revolving Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from sales and services	\$ 776		\$ 30,888	\$ 982			\$ 32,646
Cash received from transactions with other funds	43,290	\$ 161,207	99,117	202,696	\$ 8,774	\$ 137,327	652,411
Cash payments to suppliers for goods and services	(24,145)	(81,920)	(83,748)	(177,794)	(8,268)	(7,276)	(383,151)
Cash payments to employees for services	(16,368)	(68,131)	(18,510)	(28,738)			(131,747)
Cash payments for workers compensation						(125,234)	(125,234)
Cash receipts from other operating activities	25						25
Net cash provided (used) by operating activities	3,578	11,156	27,747	(2,854)	506	4,817	44,950
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Interest paid on other borrowings	(9)	(129)					(138)
Transfers-in from other funds	4,100						4,100
Net cash provided (used) by noncapital financing activities	4,091	(129)					3,962
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(3,592)	(5,278)	(17,667)	(48)			(26,585)
Principal paid on capital debt	(152)	(2,647)	(1,141)	(3,150)			(7,090)
Interest paid on capital debt		(80)	(28)	(1,414)			(1,522)
Net cash provided (used) by capital and related financing activities	(3,744)	(8,005)	(18,836)	(4,612)			(35,197)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends on investments				37	35	119	191
Net cash provided (used) by investing activities				37	35	119	191
Net increase (decrease) in cash and cash equivalents	3,925	3,022	8,911	(7,429)	541	4,936	13,906
Cash and cash equivalents, July 1, 2011	2,414	9,348	5,562	15,216	7,352	13,077	52,969
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 6,339	\$ 12,370	\$ 14,473	\$ 7,787	\$ 7,893	\$ 18,013	\$ 66,875
Reconciliation of cash and cash equivalents to the statement of net assets:							
Total cash and cash equivalents per statement of net assets				\$ 4,031			\$ 4,031
Add: cash equity with State Treasurer	\$ 6,339	\$ 12,370	\$ 14,473	3,756	\$ 7,893	\$ 18,013	62,844
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	\$ 6,339	\$ 12,370	\$ 14,473	\$ 7,787	\$ 7,893	\$ 18,013	\$ 66,875
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
OPERATING INCOME (LOSS)	\$ (2,715)	\$ 76	\$ 33,336	\$ (4,924)	\$ 5,514	\$ (120)	\$ 31,167
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	292	5,581	4,963	12,520			23,356
Provision for uncollectible accounts			77				77
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(10)		(211)	(1)			(222)
(Increase) decrease in intergovernmental receivables	(5)		(10,510)				(10,515)
(Increase) decrease in due from other funds	2,039	6,294	(1,849)	17,949	(5,689)	32,201	50,945
(Increase) decrease in due from component units	4	12	(328)	(30)			(342)
(Increase) decrease in inventories	37						37
Increase (decrease) in accounts payable and accrued liabilities	4,074	(4,257)	1,097	(25,381)	419	(17)	(24,065)
Increase (decrease) in intergovernmental payables	31	3,756	937	(285)	3		4,442
Increase (decrease) in due to other funds	126	133	(65)	(29)	147	43	355
Increase (decrease) in due to component units			223	(246)			(23)
Increase (decrease) in unearned revenue				(2,362)			(2,362)
Increase (decrease) in other liabilities	(295)	(439)	77	(65)	112	(27,290)	(27,900)
Total adjustments	6,293	11,080	(5,589)	2,070	(5,008)	4,937	13,783
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,578	\$ 11,156	\$ 27,747	\$ (2,854)	\$ 506	\$ 4,817	\$ 44,950
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
Gain (loss) on disposal of capital assets			\$ (17)				\$ (17)
Transfer of assets from other state funds		\$ 2,910	5,880	\$ 6,427			15,217

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

The Pension (and Other Employee Benefit) Trust Funds are maintained to account for the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans and other employee benefit plans.

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS DESCRIPTIONS

Department of Central Management Services

Deferred Compensation Plan--to account for the assets held in the State's Internal Revenue Code Section 457 Plan. All employees of the State are eligible to voluntarily elect to contribute a portion of their compensation to the Plan through payroll deductions.

Department of Healthcare and Family Services

Teacher Health Insurance Security--to provide health benefits for the Teachers' Retirement System recipient and dependent beneficiaries. Premiums are collected from retired and active teachers and the insurance plan is administered by private companies.

Community College Health Insurance Security--to provide health benefits for the retirees of community colleges in the State of Illinois and dependent beneficiaries. Premiums are collected from retired and active teachers and the insurance plan is administered by private companies.

General Assembly Retirement System, Judges' Retirement System, State Employees' Retirement System, Teachers' Retirement System and State Universities Retirement System

See Note 16 on page 138 for description of retirement systems.

State of Illinois

**Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds**

June 30, 2012 (Expressed in Thousands)

	Central Management Services		Healthcare and Family Services				
	Deferred Compensation Plan	Teacher Health Insurance Security	Community College Health Insurance Security	General Assembly Retirement System	Judges' Retirement System	State Employees' Retirement System	
ASSETS							
Cash equity with State Treasurer	\$ 7,276	\$ 38,724	\$ 1,122	\$ 2,481	\$ 10,691	\$ 133,959	
Cash and cash equivalents	1,241	13,305	1,380				
Securities lending collateral of State Treasurer	2,571	11,325	559	1,385	5,945	72,867	
Investments:							
Equities	2,158,202						
Fixed income	316,455						
Private equity							
Real estate							
Other	887,534						
Equity in Illinois State Board of Investments				49,025	559,139	10,675,772	
Securities lending collateral							
Receivables, net:							
Members		4,646	230	21	186	9,478	
Employers		3,485	230				
Investment income	316	8		1	4	51	
Intergovernmental		5,862	563				
Pending investment sales							
Other	587	9,131	881	7	1	11,797	
Due from other funds					66	29	
Due from primary government funds		56,331	2,564	1,313	7,954	139,453	
Due from component units							
Prepaid expenses							
Capital assets not being depreciated						954	
Capital assets being depreciated, net				4	9	1,769	
Total assets	3,374,182	142,817	7,529	54,237	583,995	11,046,129	
LIABILITIES							
Accounts payable and accrued liabilities	2,345	162,464	44,927	20	7	7,573	
Intergovernmental payables	2	2	1				
Due to other funds	8	12	2	68	5		
Due to primary government funds	31	123	20		2	3,901	
Obligations under securities lending of State Treasurer	2,571	11,325	559	1,385	5,945	72,867	
Payable to brokers for unsettled trades							
Securities lending collateral							
Long term obligations:							
Due within one year		5				13	
Due subsequent to one year	134	82	6	20	60	1,087	
Total liabilities	5,091	174,013	45,515	1,493	6,019	85,441	
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS							
	\$ 3,369,091	\$ (31,196)	\$ (37,986)	\$ 52,744	\$ 577,976	\$ 10,960,688	

State Universities Retirement System			
Teachers' Retirement System	Defined Benefit	Defined Contribution	Total
\$ 17,093			\$ 211,346
196,755	\$ 499,251		711,932
58,589			153,241
15,764,858	9,237,817	\$ 544,350	27,705,227
6,826,295	3,695,072	146,383	10,984,205
4,175,728			4,175,728
4,480,391	416,549	12,156	4,909,096
5,338,077		336,033	6,561,644
			11,283,936
2,559,174	12,121		2,571,295
49,230	10,599	2,498	76,888
15,857	4,051	1,399	25,022
96,450	33,914		130,744
			6,425
2,524,210	316,014		2,840,224
			22,404
			95
160,533	204,294		572,442
	2,055		2,055
3,377	243		3,620
238	532		1,724
4,093	5,246		11,121
42,270,948	14,437,758	1,042,819	72,960,414
43,927	23,244		284,507
			5
			95
35			4,112
58,589			153,241
3,090,771	696,571		3,787,342
2,559,174	11,759		2,570,933
24	30		72
1,603	1,011		4,003
5,754,123	732,615		6,804,310
\$ 36,516,825	\$ 13,705,143	\$ 1,042,819	\$ 66,156,104

State of Illinois

**Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Central Management Services	Healthcare and Family Services		General Assembly Retirement System	Judges' Retirement System	State Employees' Retirement System
	Deferred Compensation Plan	Teacher Health Insurance Security	Community College Health Insurance Security			
ADDITIONS						
Contributions:						
Employer State		\$ 71,376	\$ 4,269	\$ 10,502	\$ 63,644	
		87,622	4,396			\$ 1,391,416
Members:						
Employees	\$ 174,932	95,271	4,269	1,622	16,445	259,123
Retirees		165,651	14,953			
Federal Medicare Part D		24,911	2,424			
Other	4,163	119				
Total contributions	179,095	444,950	30,311	12,124	80,089	1,650,539
Investment income:						
Interest and other investment income	84,144	127	10	1,406	15,309	289,016
Net increase (decrease) in fair value of investments	(38,655)			(1,322)	(13,563)	(248,618)
Reimbursements of expenses not separable from investment income	2,301					
Less investment expense	(65)			(165)	(1,815)	(34,423)
Net investment income	47,725	127	10	(81)	(69)	5,975
Total additions	226,820	445,077	30,321	12,043	80,020	1,656,514
DEDUCTIONS						
Benefit payments	189,378	480,452	45,861	19,247	106,653	1,627,374
Refunds	122			149	587	23,500
Depreciation				1	2	341
General and administration	3,100	2,946	2,789	297	762	15,364
Total deductions	192,600	483,398	48,650	19,694	108,004	1,666,579
Change in fiduciary net assets held in trust for pension and other employee benefits	34,220	(38,321)	(18,329)	(7,651)	(27,984)	(10,065)
Net assets held in trust for pension and other employee benefits, July 1, 2011	3,334,871	7,125	(19,657)	60,395	605,960	10,970,753
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS, JUNE 30, 2012	\$ 3,369,091	\$ (31,196)	\$ (37,986)	\$ 52,744	\$ 577,976	\$ 10,960,688

State Universities Retirement System			
Teachers' Retirement System	Defined Benefit	Defined Contribution	Total
\$ 153,409	\$ 45,596	\$ 5,658	\$ 354,454
2,405,172	940,219	40,266	4,869,091
917,661	258,236	54,122	1,781,681
			180,604
			27,335
2,678			6,960
3,478,920	1,244,051	100,046	7,220,125
1,028,704	287,870		1,706,586
(569,790)	(235,506)	16,659	(1,090,795)
			2,301
(234,807)	(43,297)		(314,572)
224,107	9,067	16,659	303,520
3,703,027	1,253,118	116,705	7,523,645
4,553,822	1,743,746	13,930	8,780,463
84,635	65,065	20,105	194,163
644	487		1,475
18,368	12,680	389	56,695
4,657,469	1,821,978	34,424	9,032,796
(954,442)	(568,860)	82,281	(1,509,151)
37,471,267	14,274,003	960,538	67,665,255
\$ 36,516,825	\$ 13,705,143	\$ 1,042,819	\$ 66,156,104

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PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are maintained to account for resources legally held in trust for use by individuals, private organizations and other governments. There is no requirement that any portion of these resources be preserved as capital.

SIGNIFICANT PRIVATE-PURPOSE TRUST FUND DESCRIPTIONS

Treasurer

College Savings Pool Fund--to account for assets held by the Bright Start College Savings Program, a qualified State tuition program under Section 529 of the Internal Revenue Code. The program provides an opportunity for investors to invest on a tax-favored basis toward the qualified higher education expenses of a designated beneficiary associated with attending an institution of higher education.

State of Illinois**Combining Statement of Fiduciary Net Assets****Private-Purpose Trust Funds**

June 30, 2012 (Expressed in Thousands)

	Treasurer		
	College Savings Pool Fund	Other	Total
ASSETS			
Cash equity with State Treasurer		\$ 1,242	\$ 1,242
Cash and cash equivalents	\$ 324,469	23	324,492
Investments:			
Equities	2,356,889	261	2,357,150
Fixed income	1,857,146	142	1,857,288
Other		20	20
Securities lending collateral of State Treasurer		571	571
Investment income receivables, net	7,039		7,039
Loans and notes receivable, net		72	72
Total assets	4,545,543	2,331	4,547,874
LIABILITIES			
Accounts payable and accrued liabilities	1,274		1,274
Obligations under securities lending of State Treasurer		571	571
Other liabilities	5,187		5,187
Total liabilities	6,461	571	7,032
NET ASSETS			
Net assets held in trust for other purposes	\$ 4,539,082	\$ 1,760	\$ 4,540,842

State of Illinois

**Combining Statement of Changes in Net Fiduciary Assets
Private-Purpose Trust Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Treasurer		
	College Savings Pool Fund	Other	Total
ADDITIONS			
Contributions:			
Participants	\$ 1,628,564		\$ 1,628,564
Other		\$ 23	23
Total contributions	1,628,564	23	1,628,587
Investment income:			
Interest and other investment income	39,716	7	39,723
Net increase in fair value of investments	40,548	4	40,552
Net investment income	80,264	11	80,275
Total additions	1,708,828	34	1,708,862
DEDUCTIONS			
Payments in accordance with trust agreements	1,278,129		1,278,129
General and administrative	15,548	8	15,556
Total deductions	1,293,677	8	1,293,685
Change in net assets held in trust for individuals, organizations, and other governments	415,151	26	415,177
Net assets held in trust for individuals, organizations, and other governments, July 1, 2011	4,123,931	1,734	4,125,665
NET ASSETS HELD IN TRUST FOR INDIVIDUALS, ORGANIZATIONS, AND OTHER GOVERNMENTS, JUNE 30, 2012	\$ 4,539,082	\$ 1,760	\$ 4,540,842

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AGENCY FUNDS

Agency funds are maintained to account for resources held by the State in a purely custodial capacity.

SIGNIFICANT AGENCY FUNDS DESCRIPTIONS

Department of Insurance

Security Deposit Fund--to hold securities on deposit by domestic and certain foreign domiciled insurance companies in the State for protection of all policyholders, policy obligations, and creditors of the companies.

Department of Healthcare and Family Services

Child Support Enforcement Trust Administrative Fund--to account for collections for child support payments on behalf of non-TANF child support clients to the appropriate non-TANF recipient.

Department of Revenue

Home Rule Municipal Retailers Occupation Tax Fund--to receive and record monies collected from a tax imposed upon all persons, in such municipality, in the business of selling tangible personal property.

Home Rule County Retailers Occupation Tax Fund--to receive and record monies collected from a tax imposed upon all persons, in such county, in the business of selling tangible personal property.

Metropolitan Pier and Exposition Authority Trust Fund--to receive and record monies obtained under the Metropolitan Pier and Exposition Authority Act.

Municipal Telecommunications Fund--to receive monies collected under the Simplified Municipal Telecommunications Act to be paid to the municipalities who imposed the tax under the Act.

RTA Sales Tax Trust Fund--to receive and record deposits of the RTA Sales Tax.

State of Illinois

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2012 (Expressed in Thousands)

	Insurance	Healthcare and Family Services			
		Child Support Enforcement Trust			
	Security Deposit Fund	Administrative Fund	Revenue	Other	Total
ASSETS					
Cash equity with State Treasurer		\$ 16,183	\$ 327,979	\$ 97,429	\$ 441,591
Cash and cash equivalents	\$ 16,540	373		25,360	42,273
Securities lending collateral of State Treasurer			117,965	19,598	137,563
Investments	895,187			28,023	923,210
Receivables, net:					
Taxes			186,481	22,724	209,205
Intergovernmental				559	559
Other		214,255	83	3,555	217,893
Due from primary government funds			42,117	4,652	46,769
Other assets				169	169
Total assets	\$ 911,727	\$ 230,811	\$ 674,625	\$ 202,069	\$ 2,019,232
LIABILITIES					
Accounts payable and accrued liabilities		\$ 18,196	\$ 8,390	\$ 21,457	\$ 48,043
Intergovernmental payables			548,270	104,889	653,159
Due to component units				64	64
Obligations under securities lending of State Treasurer			117,965	19,598	137,563
Depository and other liabilities	\$ 911,727	212,615		56,061	1,180,403
Total liabilities	\$ 911,727	\$ 230,811	\$ 674,625	\$ 202,069	\$ 2,019,232

State of Illinois

**Combining Statement of Changes in Assets and Liabilities
Agency Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Agency/Fund				
Insurance:				
Security Deposit Fund				
Assets				
Cash and cash equivalents	\$ 6,141	\$ 44,022	\$ 33,623	\$ 16,540
Investments	869,311	251,011	225,135	895,187
Total assets	\$ 875,452	\$ 295,033	\$ 258,758	\$ 911,727
Liabilities				
Depository and other liabilities	\$ 875,452	\$ 295,033	\$ 258,758	\$ 911,727
Total liabilities	\$ 875,452	\$ 295,033	\$ 258,758	\$ 911,727
Healthcare and Family Services:				
Child Support Enforcement Trust				
Administrative Fund				
Assets				
Cash equity with State Treasurer	\$ 15,801	\$ 185,520	\$ 185,138	\$ 16,183
Cash and cash equivalents	133	71,854	71,614	373
Other receivables, net	222,962	176,813	185,520	214,255
Total assets	\$ 238,896	\$ 434,187	\$ 442,272	\$ 230,811
Liabilities				
Accounts payable and accrued liabilities	\$ 16,997	\$ 23,526	\$ 22,327	\$ 18,196
Depository and other liabilities	221,899	225,141	234,425	212,615
Total liabilities	\$ 238,896	\$ 248,667	\$ 256,752	\$ 230,811
Revenue:				
Assets				
Cash equity with State Treasurer	\$ 385,831	\$ 2,795,582	\$ 2,853,434	\$ 327,979
Securities lending collateral of State Treasurer	118,008	1,242,040	1,242,083	117,965
Taxes receivable, net	111,216	2,717,611	2,642,346	186,481
Other receivables, net	134	852	903	83
Due from primary government funds	82,660	111,790	152,333	42,117
Total assets	\$ 697,849	\$ 6,867,875	\$ 6,891,099	\$ 674,625
Liabilities				
Accounts payable and accrued liabilities	\$ 7,860	\$ 34,616	\$ 34,086	\$ 8,390
Intergovernmental payables	571,981	2,795,637	2,819,348	548,270
Obligations under securities lending of State Treasurer	118,008	1,242,040	1,242,083	117,965
Total liabilities	\$ 697,849	\$ 4,072,293	\$ 4,095,517	\$ 674,625
Other:				
Assets				
Cash equity with State Treasurer	\$ 91,836	\$ 2,129,036	\$ 2,123,443	\$ 97,429
Cash and cash equivalents	22,757	1,193,838	1,191,235	25,360
Securities lending collateral of State Treasurer	18,157	201,370	199,929	19,598
Investments	26,881	3,078	1,936	28,023
Taxes receivable, net	15,691	432,826	425,793	22,724
Intergovernmental receivables, net	485	3,532	3,458	559
Other receivables, net	1,216	3,352	1,013	3,555
Due from primary government funds	7,391	8,566	11,305	4,652
Other assets	170	3	4	169
Total assets	\$ 184,584	\$ 3,975,601	\$ 3,958,116	\$ 202,069
Liabilities				
Accounts payable and accrued liabilities	\$ 19,005	\$ 1,227,796	\$ 1,225,344	\$ 21,457
Intergovernmental payables	89,818	1,599,951	1,584,880	104,889
Due to component units	65	370	371	64
Obligations under securities lending of State Treasurer	18,157	201,370	199,929	19,598
Depository and other liabilities	57,539	256,645	258,123	56,061
Total liabilities	\$ 184,584	\$ 3,286,132	\$ 3,268,647	\$ 202,069

*State of Illinois***Combining Statement of Changes in Assets and Liabilities****Agency Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Total - All Funds				
Assets				
Cash equity with State Treasurer	\$ 493,468	\$ 5,110,138	\$ 5,162,015	\$ 441,591
Cash and cash equivalents	29,031	1,309,714	1,296,472	42,273
Securities lending collateral of State Treasurer	136,165	1,443,410	1,442,012	137,563
Investments	896,192	254,089	227,071	923,210
Taxes receivable, net	126,907	3,150,437	3,068,139	209,205
Intergovernmental receivables, net	485	3,532	3,458	559
Other receivables, net	224,312	181,017	187,436	217,893
Due from primary government funds	90,051	120,356	163,638	46,769
Other assets	170	3	4	169
Total assets	\$ 1,996,781	\$ 11,572,696	\$ 11,550,245	\$ 2,019,232
Liabilities				
Accounts payable and accrued liabilities	\$ 43,862	\$ 1,285,938	\$ 1,281,757	\$ 48,043
Intergovernmental payables	661,799	4,395,588	4,404,228	653,159
Due to component units	65	370	371	64
Obligations under securities lending of State Treasurer	136,165	1,443,410	1,442,012	137,563
Depository and other liabilities	1,154,890	776,819	751,306	1,180,403
Total liabilities	\$ 1,996,781	\$ 7,902,125	\$ 7,879,674	\$ 2,019,232

State of Illinois

Combining Statement of Fiduciary Net Assets - Agency Funds

Revenue

June 30, 2012 (Expressed in Thousands)

	Home Rule Municipal Retailers Occupation Tax Fund	Home Rule County Retailers Occupation Tax Fund	Metropolitan Pier and Exposition Authority Trust Fund	Municipal Telecommunications Fund	RTA Sales Tax Trust Fund	Total
ASSETS						
Cash equity with State Treasurer	\$ 95,813	\$ 23,371	\$ 41,362	\$ 52,908	\$ 114,525	\$ 327,979
Securities lending collateral of State Treasurer	25,208	46,176	13,846		32,735	117,965
Receivables, net:						
Taxes	67,186	30,680	12,643	1,172	74,800	186,481
Other	18	32	10		23	83
Due from primary government funds				21,375	20,742	42,117
Total assets	\$ 188,225	\$ 100,259	\$ 67,861	\$ 75,455	\$ 242,825	\$ 674,625
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,222		\$ 120	\$ 7,048		\$ 8,390
Intergovernmental payables	161,795	\$ 54,083	53,895	68,407	\$ 210,090	548,270
Obligations under securities lending of State Treasurer	25,208	46,176	13,846		32,735	117,965
Total liabilities	\$ 188,225	\$ 100,259	\$ 67,861	\$ 75,455	\$ 242,825	\$ 674,625

State of Illinois

Combining Statement of Changes in Assets and Liabilities

Agency Funds - Revenue

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Home Rule Municipal Retailers				
Occupation Tax Fund				
Assets				
Cash equity with State Treasurer	\$ 119,416	\$ 809,039	\$ 832,642	\$ 95,813
Securities lending collateral of State Treasurer	31,663	358,869	365,324	25,208
Taxes receivable, net	34,520	841,321	808,655	67,186
Other receivables, net	36	366	384	18
Total assets	\$ 185,635	\$ 2,009,595	\$ 2,007,005	\$ 188,225
Liabilities				
Accounts payable and accrued liabilities	\$ 1,710	\$ 739	\$ 1,227	\$ 1,222
Intergovernmental payables	152,262	840,948	831,415	161,795
Obligations under securities lending of State Treasurer	31,663	358,869	365,324	25,208
Total liabilities	\$ 185,635	\$ 1,200,556	\$ 1,197,966	\$ 188,225
Home Rule County Retailers				
Occupation Tax Fund				
Assets				
Cash equity with State Treasurer	\$ 45,231	\$ 474,686	\$ 496,546	\$ 23,371
Securities lending collateral of State Treasurer	29,657	406,008	389,489	46,176
Taxes receivable, net	32,173	472,800	474,293	30,680
Other receivables, net	34	391	393	32
Total assets	\$ 107,095	\$ 1,353,885	\$ 1,360,721	\$ 100,259
Liabilities				
Intergovernmental payables	\$ 77,438	\$ 473,191	\$ 496,546	\$ 54,083
Obligations under securities lending of State Treasurer	29,657	406,008	389,489	46,176
Total liabilities	\$ 107,095	\$ 879,199	\$ 886,035	\$ 100,259
Metropolitan Pier and Exposition Authority Trust Fund				
Assets				
Cash equity with State Treasurer	\$ 68,538	\$ 117,944	\$ 145,120	\$ 41,362
Securities lending collateral of State Treasurer	23,071	71,334	80,559	13,846
Taxes receivable, net	11,193	119,306	117,856	12,643
Other receivables, net	26	72	88	10
Total assets	\$ 102,828	\$ 308,656	\$ 343,623	\$ 67,861
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 120	\$ -	\$ 120
Intergovernmental payables	79,757	119,258	145,120	53,895
Obligations under securities lending of State Treasurer	23,071	71,334	80,559	13,846
Total liabilities	\$ 102,828	\$ 190,712	\$ 225,679	\$ 67,861
Municipal Telecommunications Fund				
Assets				
Cash equity with State Treasurer	\$ 22,151	\$ 331,934	\$ 301,177	\$ 52,908
Taxes receivable, net	1,136	299,111	299,075	1,172
Due from primary government funds	54,234	-	32,859	21,375
Total assets	\$ 77,521	\$ 631,045	\$ 633,111	\$ 75,455
Liabilities				
Accounts payable and accrued liabilities	\$ 6,150	\$ 33,757	\$ 32,859	\$ 7,048
Intergovernmental payables	71,371	265,354	268,318	68,407
Total liabilities	\$ 77,521	\$ 299,111	\$ 301,177	\$ 75,455
RTA Sales Tax Trust Fund				
Assets				
Cash equity with State Treasurer	\$ 130,495	\$ 1,061,979	\$ 1,077,949	\$ 114,525
Securities lending collateral of State Treasurer	33,617	405,829	406,711	32,735
Taxes receivable, net	32,194	985,073	942,467	74,800
Other receivables, net	38	23	38	23
Due from primary government funds	28,426	111,790	119,474	20,742
Total assets	\$ 224,770	\$ 2,564,694	\$ 2,546,639	\$ 242,825
Liabilities				
Intergovernmental payables	\$ 191,153	\$ 1,096,886	\$ 1,077,949	\$ 210,090
Obligations under securities lending of State Treasurer	33,617	405,829	406,711	32,735
Total liabilities	\$ 224,770	\$ 1,502,715	\$ 1,484,660	\$ 242,825

*State of Illinois***Combining Statement of Changes in Assets and Liabilities****Agency Funds - Revenue**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Total - All Funds				
Assets				
Cash equity with State Treasurer	\$ 385,831	\$ 2,795,582	\$ 2,853,434	\$ 327,979
Securities lending collateral of State Treasurer	118,008	1,242,040	1,242,083	117,965
Taxes receivable, net	111,216	2,717,611	2,642,346	186,481
Other receivables, net	134	852	903	83
Due from primary government funds	82,660	111,790	152,333	42,117
Total assets	\$ 697,849	\$ 6,867,875	\$ 6,891,099	\$ 674,625
Liabilities				
Accounts payable and accrued liabilities	\$ 7,860	\$ 34,616	\$ 34,086	\$ 8,390
Intergovernmental payables	571,981	2,795,637	2,819,348	548,270
Obligations under securities lending of State Treasurer	118,008	1,242,040	1,242,083	117,965
Total liabilities	\$ 697,849	\$ 4,072,293	\$ 4,095,517	\$ 674,625

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COMPONENT UNITS

Component Units are legally separate organizations for which the elected officials of the primary government are financially accountable. Component Units also include certain other organizations because of the nature and significance of their relationship with the primary government.

NONMAJOR COMPONENT UNITS DESCRIPTIONS

NONMAJOR AUTHORITIES

Illinois Literacy Foundation--to account for supplemental funds raised from the private sector to promote the Illinois Literacy Foundation.

Illinois Grain Insurance Corporation--to account for monies held to compensate grain producers for losses from the failure of a grain dealer.

Illinois Conservation Foundation--to provide additional funding for the Illinois Department of Natural Resources' conservation programs that either are not receiving adequate State funding or else cannot be implemented because State funding is not available.

Illinois Arts Council Foundation--to further charitable, literary and educational art awareness programs.

The Comprehensive Health Insurance Plan Board--to provide an alternate market for health insurance for eligible Illinois residents having a preexisting health condition.

East St. Louis Financial Advisory Authority--to provide a secure financial basis for and to furnish assistance to the City of East St. Louis.

Illinois Finance Authority--to provide economic development to the public and private institutions in Illinois that create and retain jobs and to improve the quality of life in Illinois by providing access to capital.

Illinois Medical District Commission--to combine the resources of diverse medical institutions to promote low cost medical care in the City of Chicago, accelerate scientific research, improve diagnostic methods and train health care professionals.

Quad Cities Regional Economic Development Authority--to promote and enhance economic development in Rock Island, Henry, Knox, and Mercer counties in northwestern Illinois.

Western Illinois Economic Development Authority--to promote and enhance economic development in Warren, Henderson, Hancock, McDonough, Fulton, Mason, Cass, Schuyler, Brown, Adams, Scott, Morgan, and Pike counties in western Illinois.

Southwestern Illinois Development Authority--to promote and enhance economic development in St. Clair and Madison counties in southwestern Illinois.

Southeastern Illinois Economic Development Authority--to promote and enhance economic development in Fayette, Cumberland, Clark, Effingham, Jasper, Crawford, Marion, Clay, Richland, Lawrence, Jefferson, Wayne, Edwards, Wabash, Hamilton, and White counties and Irvington Township in Washington County in southeastern Illinois.

Upper Illinois River Valley Development Authority--to promote and enhance economic development within the State's Upper Illinois River Valley.

Will-Kankakee Regional Development Authority--to promote and enhance economic development in the counties of Will and Kankakee.

IMSA Fund for Advancement of Education--to benefit, perform the function of and carry out certain charitable, educational, literary and scientific purposes of the Illinois Mathematics and Science Academy.

NONMAJOR UNIVERSITIES

Board of Trustees of Chicago State University--to operate, manage, control and maintain Chicago State University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Eastern Illinois University--to operate, manage, control and maintain Eastern Illinois University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Governors State University--to operate, manage, control and maintain Governors State University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Northeastern Illinois University--to operate, manage, control and maintain Northeastern Illinois University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Western Illinois University--to operate, manage, control and maintain Western Illinois University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

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State of Illinois

**Combining Statement of Net Assets
Component Units - Other Authorities**

June 30, 2012 (Expressed in Thousands)

	Illinois Literacy Foundation	Illinois Grain Insurance Corporation	Illinois Conservation Foundation	Illinois Arts Council Foundation	Comprehensive Health Insurance Plan Board	East St. Louis Financial Advisory Authority
ASSETS						
Cash and cash equivalents	\$ 26	\$ 7,119	\$ 399	\$ 10	\$ 88,377	\$ 159
Securities lending collateral of State Treasurer						
Investments			2,574	74		6,934
Receivables, net:						
Intergovernmental			2			
Other		2	31		2,749	
Due from component units						
Due from primary government		49			12,230	10
Prepaid expenses			12		3	
Unamortized bond issuance costs						
Loans and notes receivable, net						
Restricted assets:						
Cash equity with State Treasurer						
Cash and cash equivalents						
Investments						
Other receivables, net						
Loans and notes receivable, net						
Capital assets not being depreciated			3,059			
Capital assets being depreciated, net			1,364		39	9
Other assets						
Total assets	26	7,170	7,441	84	103,398	7,112
LIABILITIES						
Accounts payable and accrued liabilities			66		4,233	11
Due to component units						
Due to primary government					6	
Obligations under securities lending collateral of State Treasurer						
Unearned revenue					17,499	
Short-term notes payable						
Other liabilities					35,656	
Long-term obligations:						
Due within one year					6	2
Due subsequent to one year					297	9
Total liabilities			66		57,697	22
NET ASSETS						
Invested in capital assets, net of related debt			4,423		39	
Restricted for:						
Debt service						
Capital projects						
Nonexpendable purposes			119			
Other expendable purposes		7,170	1,222		45,662	
Unrestricted	26		1,611	84		7,090
Total net assets	\$ 26	\$ 7,170	\$ 7,375	\$ 84	\$ 45,701	\$ 7,090

State of Illinois**Combining Statement of Activities****Component Units - Other Authorities**

For the Year Ended June 30, 2012 (Expressed in Thousands)

Functions/Programs	Expenses	Program revenues			Net (expense) revenue
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Illinois Literacy Foundation	\$ 82				\$ (82)
Illinois Grain Insurance Corporation	14	\$ 151			137
Illinois Conservation Foundation	1,803	33	\$ 1,242	\$ 9	(519)
Illinois Arts Council Foundation					
Comprehensive Health Insurance Plan Board	237,096	119,597	3,434		(114,065)
East St. Louis Financial Advisory Authority	111				(111)
Illinois Finance Authority	16,539	16,554		1,500	1,515
Illinois Medical District Commission	7,317	3,876		2,187	(1,254)
Quad Cities Regional Economic Development Authority	30	2			(28)
Western Illinois Economic Development Authority	20				(20)
Southwestern Illinois Development Authority	583	247	400		64
Southeastern Illinois Economic Development Authority					
Upper Illinois River Valley Development Authority	185	98			(87)
Will-Kankakee Regional Development Authority	23				(23)
IMSA Fund for Advancement of Education	1,435	130	946		(359)
Total	<u>\$ 265,238</u>	<u>\$ 140,688</u>	<u>\$ 6,022</u>	<u>\$ 3,696</u>	<u>\$ (114,832)</u>

General revenues			Additions to permanent endowments	Total general revenues and additions to permanent endowments	Change in net assets	Net assets, July 1, 2011	Net assets, June 30, 2012
State appropriations	Interest and investment income	Other					
\$ 80				\$ 80	\$ (2)	\$ 28	\$ 26
14	\$ 5			19	156	7,014	7,170
452	(68)			384	(135)	7,510	7,375
						84	84
24,630	21	\$ 87,854		112,505	(1,560)	47,261	45,701
104	318			422	311	6,779	7,090
	520			520	2,035	90,984	93,019
	1,426			1,426	172	32,084	32,256
					(28)	66	38
		44		44	24	349	373
	34	53		87	151	7,319	7,470
						(26)	(26)
					(87)	567	480
					(23)	53	30
255	45		\$ 50	350	(9)	5,691	5,682
<u>\$ 25,535</u>	<u>\$ 2,301</u>	<u>\$ 87,951</u>	<u>\$ 50</u>	<u>\$ 115,837</u>	<u>\$ 1,005</u>	<u>\$ 205,763</u>	<u>\$ 206,768</u>

State of Illinois

Combining Statement of Net Assets
Component Units - Other Universities
June 30, 2012 (Expressed in Thousands)

	Chicago State University	Eastern Illinois University	Governors State University	Northeastern Illinois University	Western Illinois University
ASSETS					
Cash and cash equivalents	\$ 16,202	\$ 52,363	\$ 35,619	\$ 49,481	\$ 87,431
Investments		1,846	1,502	1,408	24,038
Receivables, net:					
Intergovernmental			1,634	2,810	
Other	10,487	12,674	4,086	4,884	11,252
Due from component units					9
Due from primary government	11,738	11,804	8,729	13,024	14,478
Inventories	43	2,110	77	7	2,439
Prepaid expenses	477	60	39	1,048	113
Unamortized bond issuance costs		1,836	1,000	718	2,231
Loans and notes receivable, net	611	6,447	3,245	1,919	1,936
Restricted assets:					
Cash and cash equivalents	8,324	11,054	24,723	2,945	141
Investments	4,269	60,672		6,362	22,716
Other receivables		2,091			
Other assets					2,478
Other assets	452	1,298	169	436	1,290
Capital assets not being depreciated	14,044	85,503	6,267	28,103	61,086
Capital assets being depreciated, net	134,002	209,033	77,953	91,189	153,534
Total assets	200,649	458,791	165,043	204,334	385,172
LIABILITIES					
Accounts payable and accrued liabilities	7,474	14,618	3,849	8,031	21,051
Intergovernmental payables			3,724	178	
Due to component units	28				
Due to primary government		195			213
Unearned revenue	7,585	3,935	3,891	3,125	5,108
Assets held for others		6,916		468	
Short-term notes payable		1,387			
Other liabilities		5,729			42
Long-term obligations:					
Due within one year	2,226	8,723	2,321	2,446	7,777
Due subsequent to one year	20,411	126,967	50,569	39,510	115,898
Total liabilities	37,724	168,470	64,354	53,758	150,089
NET ASSETS					
Invested in capital assets, net of related debt	131,103	171,838	57,347	93,185	145,608
Restricted for:					
Debt service		1,673	1,184	2,101	
Nonexpendable purposes	3,064	41,031	1,339	5,003	17,464
Other expendable purposes	3,684	25,315	1,259	4,900	10,971
Unrestricted	25,074	50,464	39,560	45,387	61,040
Total net assets	\$ 162,925	\$ 290,321	\$ 100,689	\$ 150,576	\$ 235,083

		Total
\$	241,096	
	28,794	
	4,444	
	43,383	
	9	
	59,773	
	4,676	
	1,737	
	5,785	
	14,158	
	47,187	
	94,019	
	2,091	
	2,478	
	3,645	
	195,003	
	665,711	
	1,413,989	
	55,023	
	3,902	
	28	
	408	
	23,644	
	7,384	
	1,387	
	5,771	
	23,493	
	353,355	
	474,395	
	599,081	
	4,958	
	67,901	
	46,129	
	221,525	
\$	939,594	

State of Illinois**Combining Statement of Activities****Component Units - Other Universities**

For the Year Ended June 30, 2012 (Expressed in Thousands)

Functions/Programs	Expenses	Program revenues		Net (expense) revenue
		Charges for service	Operating grants and contributions	
Chicago State University	\$ 141,059	\$ 47,229	\$ 12,665	\$ (81,165)
Eastern Illinois University	255,604	120,282	26,516	(108,775)
Governors State University	98,644	40,758	8,223	(49,663)
Northeastern Illinois University	165,569	65,056	35,055	(65,458)
Western Illinois University	285,511	142,776	19,413	(123,322)
Total	<u>\$ 946,387</u>	<u>\$ 416,101</u>	<u>\$ 101,872</u>	<u>\$ (428,383)</u>

General revenues			Additions to permanent endowments	Total general revenues and additions to permanent endowments	Change in net assets	Net assets, July 1, 2011	Net assets, June 30, 2012
State appropriations	Interest and investment income	Other					
\$ 72,474	\$ 119	\$ 18,146	\$ 1	\$ 90,740	\$ 9,575	\$ 153,350	\$ 162,925
102,377	1,030	18,963	4,157	126,527	17,752	272,569	290,321
51,733	46	7,014	102	58,895	9,232	91,457	100,689
79,330	289	71	378	80,068	14,610	135,966	150,576
127,386	303	19,456	1,793	148,938	25,616	209,467	235,083
\$ 433,300	\$ 1,787	\$ 63,650	\$ 6,431	\$ 505,168	\$ 76,785	\$ 862,809	\$ 939,594

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Budgetary Schedules

The following budgetary schedules for the State have been prepared in accordance with the terminology and classifications of funds used by the State in the Statewide Accounting Management System (“SAMS”) budgetary purposes. SAMS establishes the following budgetary fund groups to account for the State’s budgetary activities:

General – funds established to account for those services traditionally provided by a state government which are not accounted for in other funds;

Highway – funds established to receive and distribute assessments related to transportation, and to support the construction and maintenance of transportation facilities and activities of the State;

Special State – funds designated by statute as special funds in the State Treasury and not elsewhere classified;

Bond Financed – funds established to receive and administer the proceeds of various bond issues of the State;

Debt Service – funds established to finance and account for the payment of principal and interest generally associated with the general and special obligation bond issues of the State;

Federal Trust – funds established pursuant to grants and contracts or under statutory authority between State agencies and the federal government;

Revolving – funds established to finance and account for intra-governmental services; and

State Trust – funds established by statute or under statutory authority for nonfederal programs which are not deemed to be a traditional governmental activity or elsewhere classified.

As the attached schedules are presented on the budgetary basis and not the GAAP basis of accounting, all budgeted funds of the State, including those presented as required supplemental information, are presented. The schedules presented as required supplemental information classify certain major governmental funds differently for GAAP reporting purposes than the following budgetary presentation. Below is a summary of those differences:

GAAP Basis	Budgetary Basis Includes
General Fund	All General Funds Highway Funds: 1 fund included as an other highway fund Special State Funds: Budget Stabilization Fund County Provider Trust Fund Long-Term Care Provider Fund Hospital Provider Fund Drug Rebate Fund Healthcare Provider Relief Fund Public Transportation Fund and 47 funds included as other special state funds Debt Service Funds: Capital Projects Fund and 1 fund included as an other debt service fund Federal Trust Funds: 2 funds included as other federal trust funds State Trust Funds: Public Assistance Recoveries Trust Fund and 1 fund included as an other state trust fund

State of Illinois

**Combined Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
All Budgeted Fund Groups**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Funds			Highway Funds		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes	\$ 17,723,000	\$ 18,044,228	\$ 321,228			
Sales taxes	6,586,000	7,225,573	639,573			
Motor fuel taxes				\$ 1,326,900	\$ 1,221,462	\$ (105,438)
Public utility taxes	1,082,000	995,148	(86,852)			
Federal government	4,762,000	3,636,653	(1,125,347)	1,521,800	1,610,503	88,703
Other	1,960,000	2,056,659	96,659	1,583,873	1,423,679	(160,194)
Less:						
Refunds	12,103	11,973	(130)	28,899	22,118	(6,781)
Total revenues	32,100,897	31,946,288	(154,609)	4,403,674	4,233,526	(170,148)
EXPENDITURES:						
Current:						
Health and social services	13,509,376	13,332,589	(176,787)	165,294	165,294	-
Education	12,102,502	12,087,069	(15,433)			
General government	1,694,599	1,655,128	(39,471)	60,048	50,927	(9,121)
Employment and economic development	105,386	99,123	(6,263)	1,900	1,900	-
Transportation	21,440	21,339	(101)	4,001,360	3,548,261	(453,099)
Public protection and justice	2,012,542	1,986,194	(26,348)			
Environment and business regulation	71,075	67,934	(3,141)			
Debt service:						
Principal						
Interest						
Capital outlays	23,298	19,259	(4,039)	66,632	47,121	(19,511)
Total expenditures	29,540,218	29,268,635	(271,583)	4,295,234	3,813,503	(481,731)
Excess (deficiency) of revenues over (under) expenditures	2,560,679	2,677,653	116,974	108,440	420,023	311,583
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general and special obligation bond issues						
Operating transfers-in	7,231,024	7,231,024	-	1,135,020	1,135,020	-
Operating transfers-out	(10,385,002)	(10,385,002)	-	(1,522,029)	(1,522,029)	-
Total other sources (uses) of financial resources	(3,153,978)	(3,153,978)	-	(387,009)	(387,009)	-
Budgetary funds-nonbudgeted accounts						
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(593,299)	(476,325)	116,974	(278,569)	33,014	311,583
Budgetary fund balances (deficits), July 1, 2011, as previously reported	(4,507,409)	(4,507,409)	-	910,825	910,825	-
Reclassifications between budgetary/nonbudgetary funds-net						
Budgetary fund balances (deficits), July 1, 2011, as reclassified	(4,507,409)	(4,507,409)	-	910,825	910,825	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (5,100,708)	\$ (4,983,734)	\$ 116,974	\$ 632,256	\$ 943,839	\$ 311,583

Special State Funds			Bond Financed Funds			Debt Service Funds		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
\$ 3,247,132	\$ 3,173,294	\$ (73,838)				\$ 52,660	\$ 52,660	\$ -
817,565	855,511	37,946						
71,512	69,539	(1,973)						
503,746	481,783	(21,963)						
4,383,615	4,167,935	(215,680)				64,157	63,909	(248)
8,566,996	8,275,724	(291,272)	\$ -	\$ 49	\$ 49	538,680	524,098	(14,582)
2,157,946	2,145,594	(12,352)						
15,432,620	14,878,192	(554,428)	-	49	49	655,497	640,667	(14,830)
11,160,243	9,035,332	(2,124,911)	72,532	72,532	-			
365,201	313,784	(51,417)	45,582	44,986	(596)			
4,194,253	3,698,214	(496,039)	326,590	325,986	(604)			
961,618	581,418	(380,200)	224,680	204,186	(20,494)			
776,599	740,925	(35,674)	1,170,258	1,170,105	(153)			
223,567	130,540	(93,027)						
1,129,589	993,475	(136,114)	54,610	54,610	-			
						3,806,343	3,715,871	(90,472)
						1,565,041	1,471,337	(93,704)
36,599	29,108	(7,491)	260,851	261,219	368			
18,847,669	15,522,796	(3,324,873)	2,155,103	2,133,624	(21,479)	5,371,384	5,187,208	(184,176)
(3,415,049)	(644,604)	2,770,445	(2,155,103)	(2,133,575)	21,528	(4,715,887)	(4,546,541)	169,346
			2,144,890	2,144,890	-	1,954,186	1,954,186	-
3,860,815	3,860,815	-	322,858	322,858	-	3,329,272	3,329,272	-
(2,683,213)	(2,683,213)	-	(322,858)	(322,858)	-	(547,994)	(547,994)	-
1,177,602	1,177,602	-	2,144,890	2,144,890	-	4,735,464	4,735,464	-
(65,426)	(65,426)	-						
(2,302,873)	467,572	2,770,445	(10,213)	11,315	21,528	19,577	188,923	169,346
1,949,202	1,949,202	-	1,448,295	1,448,295	-	1,132,597	1,132,597	-
1,949,202	1,949,202	-	1,448,295	1,448,295	-	1,132,597	1,132,597	-
\$ (353,671)	\$ 2,416,774	\$ 2,770,445	\$ 1,438,082	\$ 1,459,610	\$ 21,528	\$ 1,152,174	\$ 1,321,520	\$ 169,346

(continued)

State of Illinois

**Combined Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
All Budgeted Fund Groups**

For the Year Ended June 30, 2012 (Expressed in Thousands)

(continued)

	Federal Trust Funds			Revolving Funds		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes						
Sales taxes						
Motor fuel taxes						
Public utility taxes						
Federal government	\$ 5,519,685	\$ 5,052,163	\$ (467,522)	\$ 39,990	\$ 16,130	\$ (23,860)
Other	264,720	306,368	41,648	543,816	601,339	57,523
Less:						
Refunds	620	-	(620)	8,601	33	(8,568)
Total revenues	5,783,785	5,358,531	(425,254)	575,205	617,436	42,231
EXPENDITURES:						
Current:						
Health and social services	2,115,906	1,619,715	(496,191)			
Education	4,003,956	2,307,256	(1,696,700)			
General government	42,755	11,563	(31,192)	867,111	630,964	(236,147)
Employment and economic development	1,563,212	695,874	(867,338)			
Transportation	265,444	115,437	(150,007)	850	678	(172)
Public protection and justice	605,670	184,109	(421,561)	49,730	48,339	(1,391)
Environment and business regulation	222,881	127,108	(95,773)			
Debt service:						
Principal						
Interest						
Capital outlays	9,917	1,138	(8,779)	19,815	5,392	(14,423)
Total expenditures	8,829,741	5,062,200	(3,767,541)	937,506	685,373	(252,133)
Excess (deficiency) of revenues over (under) expenditures	(3,045,956)	296,331	3,342,287	(362,301)	(67,937)	294,364
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general and special obligation bond issues						
Operating transfers-in	41,524	41,524	-	178,334	178,334	-
Operating transfers-out	(43,605)	(43,605)	-	(6,359)	(6,359)	-
Total other sources (uses) of financial resources	(2,081)	(2,081)	-	171,975	171,975	-
Budgetary funds-nonbudgeted accounts	(157,834)	(157,834)	-			
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(3,205,871)	136,416	3,342,287	(190,326)	104,038	294,364
Budgetary fund balances (deficits), July 1, 2011, as previously reported	(494,463)	(494,463)	-	(29,573)	(29,573)	-
Reclassifications between budgetary/nonbudgetary funds-net						
Budgetary fund balances (deficits), July 1, 2011, as reclassified	(494,463)	(494,463)	-	(29,573)	(29,573)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (3,700,334)	\$ (358,047)	\$ 3,342,287	\$ (219,899)	\$ 74,465	\$ 294,364

State Trust Funds			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
\$ 812,777	\$ 812,777	\$ -	\$ 20,970,132	\$ 21,217,522	\$ 247,390
33,249	33,249	-	8,269,002	8,946,521	677,519
329,564	329,564	-	1,431,661	1,324,250	(107,411)
84,039	161,571	77,532	1,915,310	1,806,495	(108,815)
2,543,247	3,012,067	468,820	16,375,286	14,708,864	(1,666,422)
			16,001,332	16,199,983	198,651
312	197	(115)	2,208,481	2,179,915	(28,566)
3,802,564	4,349,031	546,467	62,754,242	62,023,720	(730,522)
243,132	203,967	(39,165)	27,266,483	24,429,429	(2,837,054)
18,459	3,654	(14,805)	16,535,700	14,756,749	(1,778,951)
442,088	152,691	(289,397)	7,627,444	6,525,473	(1,101,971)
			2,856,796	1,582,501	(1,274,295)
			6,235,951	5,596,745	(639,206)
2,750	2,077	(673)	2,894,259	2,351,259	(543,000)
12,615	4,212	(8,403)	1,490,770	1,247,339	(243,431)
			3,806,343	3,715,871	(90,472)
			1,565,041	1,471,337	(93,704)
1,272	525	(747)	418,384	363,762	(54,622)
720,316	367,126	(353,190)	70,697,171	62,040,465	(8,656,706)
3,082,248	3,981,905	899,657	(7,942,929)	(16,745)	7,926,184
			4,099,076	4,099,076	-
11,787	11,787	-	16,110,634	16,110,634	-
(307,262)	(307,262)	-	(15,818,322)	(15,818,322)	-
(295,475)	(295,475)	-	4,391,388	4,391,388	-
(3,567,553)	(3,567,553)	-	(3,790,813)	(3,790,813)	-
(780,780)	118,877	899,657	(7,342,354)	583,830	7,926,184
296,772	296,772	-	706,246	706,246	-
28,035	28,035	-	28,035	28,035	-
324,807	324,807	-	734,281	734,281	-
\$ (455,973)	\$ 443,684	\$ 899,657	\$ (6,608,073)	\$ 1,318,111	\$ 7,926,184

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
General Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Revenue			Common School Special Account		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes	\$ 16,429,000	\$ 16,726,790	\$ 297,790			
Sales taxes	4,931,000	5,418,874	487,874	\$ 1,655,000	\$ 1,806,699	\$ 151,699
Public utility taxes	985,000	905,681	(79,319)			
Federal government	4,762,000	3,636,653	(1,125,347)			
Other	1,841,000	1,936,880	95,880			
Less:						
Refunds	12,103	11,973	(130)			
Total revenues	28,935,897	28,612,905	(322,992)	1,655,000	1,806,699	151,699
EXPENDITURES:						
Current:						
Health and social services	13,509,376	13,332,589	(176,787)			
Education	3,136,760	3,123,228	(13,532)			
General government	1,694,585	1,655,114	(39,471)			
Employment and economic development	105,386	99,123	(6,263)			
Transportation	21,440	21,339	(101)			
Public protection and justice	2,012,542	1,986,194	(26,348)			
Environment and business regulation	71,075	67,934	(3,141)			
Capital outlays	22,653	18,696	(3,957)			
Total expenditures	20,573,817	20,304,217	(269,600)			
Excess (deficiency) of revenues over (under) expenditures	8,362,080	8,308,688	(53,392)	1,655,000	1,806,699	151,699
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	1,029,912	1,029,912	-			
Operating transfers-out	(8,501,321)	(8,501,321)	-	(1,883,477)	(1,883,477)	-
Total other sources (uses) of financial resources	(7,471,409)	(7,471,409)	-	(1,883,477)	(1,883,477)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	890,671	837,279	(53,392)	(228,477)	(76,778)	151,699
Budgetary fund balances (deficits), July 1, 2011	(4,965,907)	(4,965,907)	-	83,985	83,985	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (4,075,236)	\$ (4,128,628)	\$ (53,392)	\$ (144,492)	\$ 7,207	\$ 151,699

Education Assistance			Common School			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
\$ 1,294,000	\$ 1,317,438	\$ 23,438				\$ 17,723,000	\$ 18,044,228	\$ 321,228
			\$ 97,000	\$ 89,467	\$ (7,533)	6,586,000	7,225,573	639,573
						1,082,000	995,148	(86,852)
						4,762,000	3,636,653	(1,125,347)
-	63	63	119,000	119,716	716	1,960,000	2,056,659	96,659
						12,103	11,973	(130)
1,294,000	1,317,501	23,501	216,000	209,183	(6,817)	32,100,897	31,946,288	(154,609)
						13,509,376	13,332,589	(176,787)
2,731,608	2,729,707	(1,901)	6,234,134	6,234,134	-	12,102,502	12,087,069	(15,433)
14	14	-				1,694,599	1,655,128	(39,471)
						105,386	99,123	(6,263)
						21,440	21,339	(101)
						2,012,542	1,986,194	(26,348)
						71,075	67,934	(3,141)
645	563	(82)				23,298	19,259	(4,039)
2,732,267	2,730,284	(1,983)	6,234,134	6,234,134	-	29,540,218	29,268,635	(271,583)
(1,438,267)	(1,412,783)	25,484	(6,018,134)	(6,024,951)	(6,817)	2,560,679	2,677,653	116,974
340,335	340,335	-	5,860,777	5,860,777	-	7,231,024	7,231,024	-
(41)	(41)	-	(163)	(163)	-	(10,385,002)	(10,385,002)	-
340,294	340,294	-	5,860,614	5,860,614	-	(3,153,978)	(3,153,978)	-
(1,097,973)	(1,072,489)	25,484	(157,520)	(164,337)	(6,817)	(593,299)	(476,325)	116,974
353,806	353,806	-	20,707	20,707	-	(4,507,409)	(4,507,409)	-
\$ (744,167)	\$ (718,683)	\$ 25,484	\$ (136,813)	\$ (143,630)	\$ (6,817)	\$ (5,100,708)	\$ (4,983,734)	\$ 116,974

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Highway Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Road			Motor Fuel Tax - State		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Motor fuel taxes				\$ 1,326,900	\$ 1,221,462	\$ (105,438)
Federal government	\$ 1,521,800	\$ 1,610,447	\$ 88,647	-	56	56
Other	1,065,700	956,946	(108,754)			
Less:						
Refunds	2,559	2,506	(53)	26,340	19,612	(6,728)
Total revenues	2,584,941	2,564,887	(20,054)	1,300,560	1,201,906	(98,654)
EXPENDITURES:						
Current:						
Health and social services	165,294	165,294	-			
General government	2,149	1,977	(172)	57,899	48,950	(8,949)
Employment and economic development	1,900	1,900	-			
Transportation	2,698,967	2,293,867	(405,100)	12,797	11,443	(1,354)
Capital outlays	66,610	47,118	(19,492)	22	3	(19)
Total expenditures	2,934,920	2,510,156	(424,764)	70,718	60,396	(10,322)
Excess (deficiency) of revenues over (under) expenditures	(349,979)	54,731	404,710	1,229,842	1,141,510	(88,332)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	319,116	319,116	-	1,002	1,002	-
Operating transfers-out	(371,538)	(371,538)	-	(1,147,456)	(1,147,456)	-
Total other sources (uses) of financial resources	(52,422)	(52,422)	-	(1,146,454)	(1,146,454)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(402,401)	2,309	404,710	83,388	(4,944)	(88,332)
Budgetary fund balances (deficits), July 1, 2011	670,961	670,961	-	103,307	103,307	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 268,560	\$ 673,270	\$ 404,710	\$ 186,695	\$ 98,363	\$ (88,332)

Motor Fuel Tax - Municipalities			State Construction Account			Other		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			\$ 518,173	\$ 466,685	\$ (51,488)	\$ -	\$ 48	\$ 48
			518,173	466,685	(51,488)	-	48	48
\$ 298,040	\$ 275,558	\$ (22,482)	649,737	649,380	(357)	341,819	318,013	(23,806)
298,040	275,558	(22,482)	649,737	649,380	(357)	341,819	318,013	(23,806)
(298,040)	(275,558)	22,482	(131,564)	(182,695)	(51,131)	(341,819)	(317,965)	23,854
276,589	276,589	-	209,585	209,585	-	328,728	328,728	-
			(34)	(34)	-	(3,001)	(3,001)	-
276,589	276,589	-	209,551	209,551	-	325,727	325,727	-
(21,451)	1,031	22,482	77,987	26,856	(51,131)	(16,092)	7,762	23,854
(21,303)	(21,303)	-	173,150	173,150	-	(15,290)	(15,290)	-
\$ (42,754)	\$ (20,272)	\$ 22,482	\$ 251,137	\$ 200,006	\$ (51,131)	\$ (31,382)	\$ (7,528)	\$ 23,854

(continued)

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Highway Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

(continued)

	Final Budget	Total Actual	Variance Over (Under)
REVENUES:			
Motor fuel taxes	\$ 1,326,900	\$ 1,221,462	\$ (105,438)
Federal government	1,521,800	1,610,503	88,703
Other	1,583,873	1,423,679	(160,194)
Less:			
Refunds	28,899	22,118	(6,781)
Total revenues	4,403,674	4,233,526	(170,148)
EXPENDITURES:			
Current:			
Health and social services	165,294	165,294	-
General government	60,048	50,927	(9,121)
Employment and economic development	1,900	1,900	-
Transportation	4,001,360	3,548,261	(453,099)
Capital outlays	66,632	47,121	(19,511)
Total expenditures	4,295,234	3,813,503	(481,731)
Excess (deficiency) of revenues over (under) expenditures	108,440	420,023	311,583
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:			
Operating transfers-in	1,135,020	1,135,020	-
Operating transfers-out	(1,522,029)	(1,522,029)	-
Total other sources (uses) of financial resources	(387,009)	(387,009)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources	(278,569)	33,014	311,583
Budgetary fund balances (deficits), July 1, 2011	910,825	910,825	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 632,256	\$ 943,839	\$ 311,583

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State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Special State Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Elected Officials			Code Departments		
	Comptroller					
	Budget Stabilization					
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes				\$ 1,021,045	\$ 947,207	\$ (73,838)
Sales taxes				667,145	700,978	33,833
Motor fuel taxes						
Public utility taxes				222,055	222,055	-
Federal government				3,012,544	2,941,193	(71,351)
Other				5,634,148	6,132,528	498,380
Less:						
Refunds				8,798	322	(8,476)
Total revenues				10,548,139	10,943,639	395,500
EXPENDITURES:						
Current:						
Health and social services				9,398,837	7,772,553	(1,626,284)
Education				13,031	11,478	(1,553)
General government				3,550,986	3,287,204	(263,782)
Employment and economic development						
Transportation				455,894	454,947	(947)
Public protection and justice						
Environment and business regulation						
Capital outlays				454	78	(376)
Total expenditures				13,419,202	11,526,260	(1,892,942)
Excess (deficiency) of revenues over (under) expenditures				(2,871,063)	(582,621)	2,288,442
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	\$ 275,000	\$ 275,000	\$ -	2,310,117	2,310,117	-
Operating transfers-out	(275,000)	(275,000)	-	(1,579,071)	(1,579,071)	-
Total other sources (uses) of financial resources	-	-	-	731,046	731,046	-
Budgetary funds-nonbudgeted accounts				(65,200)	(65,200)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts				(2,205,217)	83,225	2,288,442
Budgetary fund balances (deficits), July 1, 2011	275,704	275,704	-	272,007	272,007	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 275,704	\$ 275,704	\$ -	\$(1,933,210)	\$ 355,232	\$ 2,288,442

Agencies, Boards & Commissions			Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			\$ 2,226,087	\$ 2,226,087	\$ -	\$ 3,247,132	\$ 3,173,294	\$ (73,838)
			150,420	154,533	4,113	817,565	855,511	37,946
			71,512	69,539	(1,973)	71,512	69,539	(1,973)
			281,691	259,728	(21,963)	503,746	481,783	(21,963)
\$ 273,000	\$ 65,009	\$ (207,991)	1,098,071	1,161,733	63,662	4,383,615	4,167,935	(215,680)
1,451,960	735,323	(716,637)	1,480,888	1,407,873	(73,015)	8,566,996	8,275,724	(291,272)
50	-	(50)	2,149,098	2,145,272	(3,826)	2,157,946	2,145,594	(12,352)
1,724,910	800,332	(924,578)	3,159,571	3,134,221	(25,350)	15,432,620	14,878,192	(554,428)
974	807	(167)	1,760,432	1,261,972	(498,460)	11,160,243	9,035,332	(2,124,911)
			352,170	302,306	(49,864)	365,201	313,784	(51,417)
161,021	141,927	(19,094)	482,246	269,083	(213,163)	4,194,253	3,698,214	(496,039)
			961,618	581,418	(380,200)	961,618	581,418	(380,200)
			320,705	285,978	(34,727)	776,599	740,925	(35,674)
			223,567	130,540	(93,027)	223,567	130,540	(93,027)
416,953	414,658	(2,295)	712,636	578,817	(133,819)	1,129,589	993,475	(136,114)
75	10	(65)	36,070	29,020	(7,050)	36,599	29,108	(7,491)
579,023	557,402	(21,621)	4,849,444	3,439,134	(1,410,310)	18,847,669	15,522,796	(3,324,873)
1,145,887	242,930	(902,957)	(1,689,873)	(304,913)	1,384,960	(3,415,049)	(644,604)	2,770,445
1	1	-	1,275,697	1,275,697	-	3,860,815	3,860,815	-
(340,027)	(340,027)	-	(489,115)	(489,115)	-	(2,683,213)	(2,683,213)	-
(340,026)	(340,026)	-	786,582	786,582	-	1,177,602	1,177,602	-
			(226)	(226)	-	(65,426)	(65,426)	-
805,861	(97,096)	(902,957)	(903,517)	481,443	1,384,960	(2,302,873)	467,572	2,770,445
338,057	338,057	-	1,063,434	1,063,434	-	1,949,202	1,949,202	-
\$ 1,143,918	\$ 240,961	\$ (902,957)	\$ 159,917	\$ 1,544,877	\$ 1,384,960	\$ (353,671)	\$ 2,416,774	\$ 2,770,445

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Special State Funds - Code Departments

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Healthcare and Family Services			Revenue		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes				\$ 1,021,045	\$ 947,207	\$ (73,838)
Sales taxes				667,145	700,978	33,833
Public utility taxes				222,055	222,055	-
Federal government	\$ 2,600,887	\$ 2,595,615	\$ (5,272)			
Other	4,288,569	4,518,508	229,939	109,420	109,420	-
Less:						
Refunds	8,750	274	(8,476)			
Total revenues	6,880,706	7,113,849	233,143	2,019,665	1,979,660	(40,005)
EXPENDITURES:						
Current:						
Health and social services	8,960,044	7,394,065	(1,565,979)			
Education				13,031	11,478	(1,553)
General government	28,392	26,410	(1,982)	2,569,944	2,565,231	(4,713)
Transportation						
Capital outlays				18	2	(16)
Total expenditures	8,988,436	7,420,475	(1,567,961)	2,582,993	2,576,711	(6,282)
Excess (deficiency) of revenues over (under) expenditures	(2,107,730)	(306,626)	1,801,104	(563,328)	(597,051)	(33,723)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	496,847	496,847	-	1,375,442	1,375,442	-
Operating transfers-out	(150,018)	(150,018)	-	(788,585)	(788,585)	-
Total other sources (uses) of financial resources	346,829	346,829	-	586,857	586,857	-
Budgetary funds-nonbudgeted accounts						
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(1,760,901)	40,203	1,801,104	23,529	(10,194)	(33,723)
Budgetary fund balances (deficits), July 1, 2011	41,999	41,999	-	284,229	284,229	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$(1,718,902)	\$ 82,202	\$ 1,801,104	\$ 307,758	\$ 274,035	\$ (33,723)

Transportation			Other Code Departments			Total		
Public Transportation								
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
						\$ 1,021,045	\$ 947,207	\$ (73,838)
						667,145	700,978	33,833
						222,055	222,055	-
			\$ 411,657	\$ 345,578	\$ (66,079)	3,012,544	2,941,193	(71,351)
			1,236,159	1,504,600	268,441	5,634,148	6,132,528	498,380
			48	48	-	8,798	322	(8,476)
			1,647,768	1,850,130	202,362	10,548,139	10,943,639	395,500
			438,793	378,488	(60,305)	9,398,837	7,772,553	(1,626,284)
						13,031	11,478	(1,553)
\$ 2,000	\$ 308	\$ (1,692)	950,650	695,255	(255,395)	3,550,986	3,287,204	(263,782)
455,894	454,947	(947)				455,894	454,947	(947)
			436	76	(360)	454	78	(376)
457,894	455,255	(2,639)	1,389,879	1,073,819	(316,060)	13,419,202	11,526,260	(1,892,942)
(457,894)	(455,255)	2,639	257,889	776,311	518,422	(2,871,063)	(582,621)	2,288,442
437,824	437,824	-	4	4	-	2,310,117	2,310,117	-
(19)	(19)	-	(640,449)	(640,449)	-	(1,579,071)	(1,579,071)	-
437,805	437,805	-	(640,445)	(640,445)	-	731,046	731,046	-
			(65,200)	(65,200)	-	(65,200)	(65,200)	-
(20,089)	(17,450)	2,639	(447,756)	70,666	518,422	(2,205,217)	83,225	2,288,442
(9,901)	(9,901)	-	(44,320)	(44,320)	-	272,007	272,007	-
\$ (29,990)	\$ (27,351)	\$ 2,639	\$ (492,076)	\$ 26,346	\$ 518,422	\$(1,933,210)	\$ 355,232	\$ 2,288,442

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Healthcare and Family Services**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	County Provider Trust			Long Term Care Provider		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	\$ 676,912	\$ 714,925	\$ 38,013	\$ 349,462	\$ 216,687	\$ (132,775)
Other	688,136	720,185	32,049	342,763	293,608	(49,155)
Less:						
Refunds	1,000	-	(1,000)	2,750	105	(2,645)
Total revenues	1,364,048	1,435,110	71,062	689,475	510,190	(179,285)
EXPENDITURES:						
Current:						
Health and social services	1,983,119	1,442,149	(540,970)	859,242	654,929	(204,313)
General government						
Total expenditures	1,983,119	1,442,149	(540,970)	859,242	654,929	(204,313)
Excess (deficiency) of revenues over (under) expenditures	(619,071)	(7,039)	612,032	(169,767)	(144,739)	25,028
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in				30,013	30,013	-
Operating transfers-out				(20,002)	(20,002)	-
Total other sources (uses) of financial resources				10,011	10,011	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(619,071)	(7,039)	612,032	(159,756)	(134,728)	25,028
Budgetary fund balances (deficits), July 1, 2011	(3,838)	(3,838)	-	38,656	38,656	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (622,909)	\$ (10,877)	\$ 612,032	\$ (121,100)	\$ (96,072)	\$ 25,028

Hospital Provider			Drug Rebate Fund			Healthcare Provider Relief		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
\$ 776,449	\$ 756,847	\$ (19,602)	\$ 178,774	\$ 275,854	\$ 97,080	\$ 578,773	\$ 592,533	\$ 13,760
897,644	890,204	(7,440)	308	466	158	492	157,651	157,159
5,000	169	(4,831)						
1,669,093	1,646,882	(22,211)	179,082	276,320	97,238	579,265	750,184	170,919
1,725,000	1,507,311	(217,689)	600,000	599,882	(118)	1,402,000	862,153	(539,847)
1,725,000	1,507,311	(217,689)	600,000	599,882	(118)	1,402,000	862,153	(539,847)
(55,907)	139,571	195,478	(420,918)	(323,562)	97,356	(822,735)	(111,969)	710,766
(130,000)	(130,000)	-	281,215	281,215	-	185,619	185,619	-
(130,000)	(130,000)	-				(16)	(16)	-
(130,000)	(130,000)	-	281,215	281,215	-	185,603	185,603	-
(185,907)	9,571	195,478	(139,703)	(42,347)	97,356	(637,132)	73,634	710,766
130,361	130,361	-	135,186	135,186	-	22,070	22,070	-
\$ (55,546)	\$ 139,932	\$ 195,478	\$ (4,517)	\$ 92,839	\$ 97,356	\$ (615,062)	\$ 95,704	\$ 710,766

(continued)

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Healthcare and Family Services**

For the Year Ended June 30, 2012 (Expressed in Thousands)

(continued)

	Health Insurance Reserve			Total		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	\$ 40,517	\$ 38,769	\$ (1,748)	\$ 2,600,887	\$ 2,595,615	\$ (5,272)
Other	2,359,226	2,456,394	97,168	4,288,569	4,518,508	229,939
Less:						
Refunds				8,750	274	(8,476)
Total revenues	2,399,743	2,495,163	95,420	6,880,706	7,113,849	233,143
EXPENDITURES:						
Current:						
Health and social services	2,390,683	2,327,641	(63,042)	8,960,044	7,394,065	(1,565,979)
General government	28,392	26,410	(1,982)	28,392	26,410	(1,982)
Total expenditures	2,419,075	2,354,051	(65,024)	8,988,436	7,420,475	(1,567,961)
Excess (deficiency) of revenues over (under) expenditures	(19,332)	141,112	160,444	(2,107,730)	(306,626)	1,801,104
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in				496,847	496,847	-
Operating transfers-out				(150,018)	(150,018)	-
Total other sources (uses) of financial resources				346,829	346,829	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(19,332)	141,112	160,444	(1,760,901)	40,203	1,801,104
Budgetary fund balances (deficits), July 1, 2011	(280,436)	(280,436)	-	41,999	41,999	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (299,768)	\$ (139,324)	\$ 160,444	\$(1,718,902)	\$ 82,202	\$ 1,801,104

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**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Revenue**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	State and Local Sales Tax Reform			Local Government Distributive		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes						
Sales taxes	\$ 241,264	\$ 275,097	\$ 33,833			
Public utility taxes						
Other						
Total revenues	241,264	275,097	33,833			
EXPENDITURES:						
Current:						
Education						
General government	51,600	51,600	-	\$ 1,236,291	\$ 1,236,290	\$ (1)
Capital outlays						
Total expenditures	51,600	51,600	-	1,236,291	1,236,290	(1)
Excess (deficiency) of revenues over (under) expenditures	189,664	223,497	33,833	(1,236,291)	(1,236,290)	1
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	1	1	-	1,243,222	1,243,222	-
Operating transfers-out	(214,090)	(214,090)	-	(50)	(50)	-
Total other sources (uses) of financial resources	(214,089)	(214,089)	-	1,243,172	1,243,172	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(24,425)	9,408	33,833	6,881	6,882	1
Budgetary fund balances (deficits), July 1, 2011	40,957	40,957	-	(16,915)	(16,915)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 16,532	\$ 50,365	\$ 33,833	\$ (10,034)	\$ (10,033)	\$ 1

Personal Property Tax Replacement			Build Illinois			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
\$ 1,021,045	\$ 947,207	\$ (73,838)				\$ 1,021,045	\$ 947,207	\$ (73,838)
			\$ 425,881	\$ 425,881	\$ -	667,145	700,978	33,833
222,055	222,055	-				222,055	222,055	-
370	370	-	109,050	109,050	-	109,420	109,420	-
1,243,470	1,169,632	(73,838)	534,931	534,931	-	2,019,665	1,979,660	(40,005)
13,031	11,478	(1,553)				13,031	11,478	(1,553)
1,282,053	1,277,341	(4,712)				2,569,944	2,565,231	(4,713)
18	2	(16)				18	2	(16)
1,295,102	1,288,821	(6,281)				2,582,993	2,576,711	(6,282)
(51,632)	(119,189)	(67,557)	534,931	534,931	-	(563,328)	(597,051)	(33,723)
92,753	92,753	-	39,466	39,466	-	1,375,442	1,375,442	-
(48)	(48)	-	(574,397)	(574,397)	-	(788,585)	(788,585)	-
92,705	92,705	-	(534,931)	(534,931)	-	586,857	586,857	-
41,073	(26,484)	(67,557)	-	-	-	23,529	(10,194)	(33,723)
260,188	260,188	-	(1)	(1)	-	284,229	284,229	-
\$ 301,261	\$ 233,704	\$ (67,557)	\$ (1)	\$ (1)	\$ -	\$ 307,758	\$ 274,035	\$ (33,723)

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State - Other Code Departments**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Children and Family Services DCFS Children's Services			State Lottery State Lottery Fund		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	\$ 411,657	\$ 345,578	\$ (66,079)			
Other	3,732	6,077	2,345	\$ 1,232,427	\$ 1,498,523	\$ 266,096
Less:						
Refunds				48	48	-
Total revenues	415,389	351,655	(63,734)	1,232,379	1,498,475	266,096
EXPENDITURES:						
Current:						
Health and social services	438,793	378,488	(60,305)			
General government	1,557	1,557	-	949,093	693,698	(255,395)
Capital outlays				436	76	(360)
Total expenditures	440,350	380,045	(60,305)	949,529	693,774	(255,755)
Excess (deficiency) of revenues over (under) expenditures	(24,961)	(28,390)	(3,429)	282,850	804,701	521,851
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in				4	4	-
Operating transfers-out	(556)	(556)	-	(639,893)	(639,893)	-
Total other sources (uses) of financial resources	(556)	(556)	-	(639,889)	(639,889)	-
Budgetary funds-nonbudgeted accounts				(65,200)	(65,200)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(25,517)	(28,946)	(3,429)	(422,239)	99,612	521,851
Budgetary fund balances (deficits), July 1, 2011	(27,361)	(27,361)	-	(16,959)	(16,959)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (52,878)	\$ (56,307)	\$ (3,429)	\$ (439,198)	\$ 82,653	\$ 521,851

	Total	
Final		Variance
Budget	Actual	Over (Under)
\$ 411,657	\$ 345,578	\$ (66,079)
1,236,159	1,504,600	268,441
48	48	-
1,647,768	1,850,130	202,362
438,793	378,488	(60,305)
950,650	695,255	(255,395)
436	76	(360)
1,389,879	1,073,819	(316,060)
257,889	776,311	518,422
4	4	-
(640,449)	(640,449)	-
(640,445)	(640,445)	-
(65,200)	(65,200)	-
(447,756)	70,666	518,422
(44,320)	(44,320)	-
\$ (492,076)	\$ 26,346	\$ 518,422

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State - Agencies, Boards and Commissions**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Illinois Gaming Board			Environmental Protection Agency		
	State Gaming Fund			Water Revolving Fund		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government				\$ 273,000	\$ 65,009	\$ (207,991)
Other	\$ 581,060	\$ 538,164	\$ (42,896)	870,900	197,159	(673,741)
Less:						
Refunds	50	-	(50)			
Total revenues	581,010	538,164	(42,846)	1,143,900	262,168	(881,732)
EXPENDITURES:						
Current:						
Health and social services	974	807	(167)			
General government	161,019	141,925	(19,094)	2	2	-
Environment and business regulation				416,953	414,658	(2,295)
Capital outlays	75	10	(65)			
Total expenditures	162,068	142,742	(19,326)	416,955	414,660	(2,295)
Excess (deficiency) of revenues over (under) expenditures	418,942	395,422	(23,520)	726,945	(152,492)	(879,437)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	1	1	-			
Operating transfers-out	(340,027)	(340,027)	-			
Total other sources (uses) of financial resources	(340,026)	(340,026)	-			
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	78,916	55,396	(23,520)	726,945	(152,492)	(879,437)
Budgetary fund balances (deficits), July 1, 2011	18,007	18,007	-	320,050	320,050	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 96,923	\$ 73,403	\$ (23,520)	\$ 1,046,995	\$ 167,558	\$ (879,437)

Total		
Final Budget	Actual	Variance Over (Under)
\$ 273,000	\$ 65,009	\$ (207,991)
1,451,960	735,323	(716,637)
50	-	(50)
1,724,910	800,332	(924,578)
974	807	(167)
161,021	141,927	(19,094)
416,953	414,658	(2,295)
75	10	(65)
579,023	557,402	(21,621)
1,145,887	242,930	(902,957)
1	1	-
(340,027)	(340,027)	-
(340,026)	(340,026)	-
805,861	(97,096)	(902,957)
338,057	338,057	-
\$ 1,143,918	\$ 240,961	\$ (902,957)

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Bond Financed Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Commerce and Economic Opportunity Build Illinois Bond			Transportation		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Other	\$ -	\$ 49	\$ 49			
Total revenues	-	49	49			
EXPENDITURES:						
Current:						
Health and social services	72,532	72,532	-			
Education	1,357	1,357	-			
General government	34,645	34,491	(154)	\$ 32	\$ 32	\$ -
Employment and economic development	184,222	163,728	(20,494)			
Transportation				1,170,258	1,170,105	(153)
Environment and business regulation	11,494	11,494	-			
Capital outlays	78,276	78,276	-			
Total expenditures	382,526	361,878	(20,648)	1,170,290	1,170,137	(153)
Excess (deficiency) of revenues over (under) expenditures	(382,526)	(361,829)	20,697	(1,170,290)	(1,170,137)	153
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general and special obligation bond issues	709,913	709,913	-	846,021	846,021	-
Operating transfers in				322,858	322,858	-
Operating transfers out				(198,800)	(198,800)	-
Total other sources (uses) of financial resources	709,913	709,913	-	970,079	970,079	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	327,387	348,084	20,697	(200,211)	(200,058)	153
Budgetary fund balances (deficits), July 1, 2011	70,978	70,978	-	988,642	988,642	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 398,365	\$ 419,062	\$ 20,697	\$ 788,431	\$ 788,584	\$ 153

Capital Development Board			Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
						\$ -	\$ 49	\$ 49
						-	49	49
						72,532	72,532	-
\$ 44,225	\$ 43,629	\$ (596)				45,582	44,986	(596)
291,913	291,463	(450)				326,590	325,986	(604)
24,703	24,703	-	\$ 15,755	\$ 15,755	\$ -	224,680	204,186	(20,494)
						1,170,258	1,170,105	(153)
2,648	2,648	-	40,468	40,468	-	54,610	54,610	-
182,575	182,943	368				260,851	261,219	368
546,064	545,386	(678)	56,223	56,223	-	2,155,103	2,133,624	(21,479)
(546,064)	(545,386)	678	(56,223)	(56,223)	-	(2,155,103)	(2,133,575)	21,528
516,665	516,665	-	72,291	72,291	-	2,144,890	2,144,890	-
						322,858	322,858	-
(124,053)	(124,053)	-	(5)	(5)	-	(322,858)	(322,858)	-
392,612	392,612	-	72,286	72,286	-	2,144,890	2,144,890	-
(153,452)	(152,774)	678	16,063	16,063	-	(10,213)	11,315	21,528
380,127	380,127	-	8,548	8,548	-	1,448,295	1,448,295	-
\$ 226,675	\$ 227,353	\$ 678	\$ 24,611	\$ 24,611	\$ -	\$ 1,438,082	\$ 1,459,610	\$ 21,528

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Bond Financed Funds - Department of Transportation

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Transportation Series A			Transportation Series B		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
EXPENDITURES:						
Current:						
General government				\$ 32	\$ 32	\$ -
Transportation	\$ 419,300	\$ 419,276	\$ (24)	283,509	283,509	-
Total expenditures	419,300	419,276	(24)	283,541	283,541	-
Excess (deficiency) of revenues over (under) expenditures	(419,300)	(419,276)	24	(283,541)	(283,541)	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general and special obligation bond issues				583,038	583,038	-
Operating transfers in				5	5	-
Operating transfers out	(198,800)	(198,800)	-			
Total other sources (uses) of financial resources	(198,800)	(198,800)	-	583,043	583,043	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(618,100)	(618,076)	24	299,502	299,502	-
Budgetary fund balances (deficits), July 1, 2011	668,625	668,625	-	225,317	225,317	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 50,525	\$ 50,549	\$ 24	\$ 524,819	\$ 524,819	\$ -

Transportation Bond Series D			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
\$ 467,449	\$ 467,320	\$ (129)	\$ 32 1,170,258	\$ 32 1,170,105	\$ - (153)
467,449	467,320	(129)	1,170,290	1,170,137	(153)
(467,449)	(467,320)	129	(1,170,290)	(1,170,137)	153
262,983	262,983	-	846,021	846,021	-
322,853	322,853	-	322,858	322,858	-
			(198,800)	(198,800)	-
585,836	585,836	-	970,079	970,079	-
118,387	118,516	129	(200,211)	(200,058)	153
94,700	94,700	-	988,642	988,642	-
\$ 213,087	\$ 213,216	\$ 129	\$ 788,431	\$ 788,584	\$ 153

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Bond Financed Funds - Capital Development Board

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Capital Development			School Construction		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
EXPENDITURES:						
Current:						
Education	\$ 27,941	\$ 27,345	\$ (596)	\$ 16,284	\$ 16,284	\$ -
General government	26,571	26,121	(450)	265,342	265,342	-
Employment and economic development	24,703	24,703	-			
Environment and business regulation	2,648	2,648	-			
Capital outlays	182,575	182,943	368			
Total expenditures	264,438	263,760	(678)	281,626	281,626	-
Excess (deficiency) of revenues over (under) expenditures	(264,438)	(263,760)	678	(281,626)	(281,626)	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general and special obligation bond issues	213,388	213,388	-	303,277	303,277	-
Operating transfers out				(124,053)	(124,053)	-
Total other sources (uses) of financial resources	213,388	213,388	-	179,224	179,224	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(51,050)	(50,372)	678	(102,402)	(102,402)	-
Budgetary fund balances (deficits), July 1, 2011	108,653	108,653	-	271,474	271,474	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 57,603	\$ 58,281	\$ 678	\$ 169,072	\$169,072	\$ -

Total		
Final Budget	Actual	Variance Over (Under)

\$	44,225	\$	43,629	\$	(596)
	291,913		291,463		(450)
	24,703		24,703		-
	2,648		2,648		-
	182,575		182,943		368
	546,064		545,386		(678)
	(546,064)		(545,386)		678

	516,665		516,665		-
	(124,053)		(124,053)		-
	392,612		392,612		-

	(153,452)		(152,774)		678
	380,127		380,127		-
\$	226,675	\$	227,353	\$	678

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Debt Service Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Obligation Bond, Retirement, and Interest			Capital Projects		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Sales tax				\$ 52,660	\$ 52,660	\$ -
Federal government	\$ 64,157	\$ 63,909	\$ (248)			
Other	58,784	42,347	(16,437)	479,862	479,816	(46)
Total revenues	122,941	106,256	(16,685)	532,522	532,476	(46)
EXPENDITURES:						
Debt service:						
Principal	3,468,108	3,400,108	(68,000)			
Interest	1,565,041	1,471,337	(93,704)			
Total expenditures	5,033,149	4,871,445	(161,704)			
Excess (deficiency) of revenues over (under) expenditures	(4,910,208)	(4,765,189)	145,019	532,522	532,476	(46)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general and special obligation bond issues	1,954,186	1,954,186	-			
Operating transfers-in	2,874,917	2,874,917	-	140,557	140,557	-
Operating transfers-out				(547,994)	(547,994)	-
Total other sources (uses) of financial resources	4,829,103	4,829,103	-	(407,437)	(407,437)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(81,105)	63,914	145,019	125,085	125,039	(46)
Budgetary fund balances (deficits), July 1, 2011	1,226,271	1,226,271	-	(113,703)	(113,703)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 1,145,166	\$ 1,290,185	\$ 145,019	\$ 11,382	\$ 11,336	\$ (46)

Build Illinois Bond, Retirement, and Interest			Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
						\$ 52,660	\$ 52,660	\$ -
						64,157	63,909	(248)
\$ 34	\$ 25	\$ (9)	\$ -	\$ 1,910	\$ 1,910	538,680	524,098	(14,582)
34	25	(9)	-	1,910	1,910	655,497	640,667	(14,830)
322,000	299,731	(22,269)	16,235	16,032	(203)	3,806,343	3,715,871	(90,472)
322,000	299,731	(22,269)	16,235	16,032	(203)	1,565,041	1,471,337	(93,704)
						5,371,384	5,187,208	(184,176)
(321,966)	(299,706)	22,260	(16,235)	(14,122)	2,113	(4,715,887)	(4,546,541)	169,346
299,731	299,731	-	14,067	14,067	-	1,954,186	1,954,186	-
						3,329,272	3,329,272	-
						(547,994)	(547,994)	-
299,731	299,731	-	14,067	14,067	-	4,735,464	4,735,464	-
(22,235)	25	22,260	(2,168)	(55)	2,113	19,577	188,923	169,346
4,236	4,236	-	15,793	15,793	-	1,132,597	1,132,597	-
\$ (17,999)	\$ 4,261	\$ 22,260	\$ 13,625	\$ 15,738	\$ 2,113	\$ 1,152,174	\$ 1,321,520	\$ 169,346

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Code Departments			State Board of Education		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	\$ 1,128,957	\$ 1,254,082	\$ 125,125	\$ 2,230,553	\$ 2,143,752	\$ (86,801)
Other	83,445	87,199	3,754	3	6	3
Less:						
Refunds	500	-	(500)			
Total revenues	1,211,902	1,341,281	129,379	2,230,556	2,143,758	(86,798)
EXPENDITURES:						
Current:						
Health and social services	1,146,104	1,030,869	(115,235)			
Education				3,576,483	2,021,588	(1,554,895)
General government	558	496	(62)	18	18	-
Employment and economic development	317,559	242,176	(75,383)			
Transportation						
Public protection and justice						
Environment and business regulation						
Capital outlays	2,660	76	(2,584)	705	479	(226)
Total expenditures	1,466,881	1,273,617	(193,264)	3,577,206	2,022,085	(1,555,121)
Excess (deficiency) of revenues over (under) expenditures	(254,979)	67,664	322,643	(1,346,650)	121,673	1,468,323
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	14,181	14,181	-			
Operating transfers-out	(92)	(92)	-	(17,752)	(17,752)	-
Total other sources (uses) of financial resources	14,089	14,089	-	(17,752)	(17,752)	-
Budgetary funds-nonbudgeted accounts	(10,047)	(10,047)	-	(4,596)	(4,596)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(250,937)	71,706	322,643	(1,368,998)	99,325	1,468,323
Budgetary fund balances (deficits), July 1, 2011	(99,148)	(99,148)	-	(435,479)	(435,479)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (350,085)	\$ (27,442)	\$ 322,643	\$ (1,804,477)	\$ (336,154)	\$ 1,468,323

Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
\$ 2,160,175	\$ 1,654,329	\$ (505,846)	\$ 5,519,685	\$ 5,052,163	\$ (467,522)
181,272	219,163	37,891	264,720	306,368	41,648
120	-	(120)	620	-	(620)
2,341,327	1,873,492	(467,835)	5,783,785	5,358,531	(425,254)

969,802	588,846	(380,956)	2,115,906	1,619,715	(496,191)
427,473	285,668	(141,805)	4,003,956	2,307,256	(1,696,700)
42,179	11,049	(31,130)	42,755	11,563	(31,192)
1,245,653	453,698	(791,955)	1,563,212	695,874	(867,338)
265,444	115,437	(150,007)	265,444	115,437	(150,007)
605,670	184,109	(421,561)	605,670	184,109	(421,561)
222,881	127,108	(95,773)	222,881	127,108	(95,773)
6,552	583	(5,969)	9,917	1,138	(8,779)
3,785,654	1,766,498	(2,019,156)	8,829,741	5,062,200	(3,767,541)

(1,444,327)	106,994	1,551,321	(3,045,956)	296,331	3,342,287
27,343	27,343	-	41,524	41,524	-
(25,761)	(25,761)	-	(43,605)	(43,605)	-
1,582	1,582	-	(2,081)	(2,081)	-
(143,191)	(143,191)	-	(157,834)	(157,834)	-

(1,585,936)	(34,615)	1,551,321	(3,205,871)	136,416	3,342,287
40,164	40,164	-	(494,463)	(494,463)	-
\$(1,545,772)	\$ 5,549	\$ 1,551,321	\$(3,700,334)	\$ (358,047)	\$ 3,342,287

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) Federal Trust Funds - Code Departments

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Human Services			Employment Security		
	Final Budget	Actual	Variance Over (Under)	Federal Title III Social Security and Employment Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	\$ 888,957	\$ 1,013,945	\$ 124,988	\$ 240,000	\$ 240,137	\$ 137
Other	71,407	73,508	2,101	12,038	13,691	1,653
Less:						
Refunds	200	-	(200)	300	-	(300)
Total revenues	960,164	1,087,453	127,289	251,738	253,828	2,090
EXPENDITURES:						
Current:						
Health and social services	1,146,104	1,030,869	(115,235)			
General government	131	128	(3)	427	368	(59)
Employment and economic development				317,559	242,176	(75,383)
Capital outlays				2,660	76	(2,584)
Total expenditures	1,146,235	1,030,997	(115,238)	320,646	242,620	(78,026)
Excess (deficiency) of revenues over (under) expenditures	(186,071)	56,456	242,527	(68,908)	11,208	80,116
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	14,181	14,181	-			
Operating transfers-out				(92)	(92)	-
Total other sources (uses) of financial resources	14,181	14,181	-	(92)	(92)	-
Budgetary funds-nonbudgeted accounts	(10,047)	(10,047)	-			
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(181,937)	60,590	242,527	(69,000)	11,116	80,116
Budgetary fund balances (deficits), July 1, 2011	(66,687)	(66,687)	-	(32,461)	(32,461)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (248,624)	\$ (6,097)	\$ 242,527	\$ (101,461)	\$ (21,345)	\$ 80,116

	Total	
Final Budget	Actual	Variance Over (Under)
\$ 1,128,957	\$ 1,254,082	\$ 125,125
83,445	87,199	3,754
500	-	(500)
1,211,902	1,341,281	129,379
1,146,104	1,030,869	(115,235)
558	496	(62)
317,559	242,176	(75,383)
2,660	76	(2,584)
1,466,881	1,273,617	(193,264)
(254,979)	67,664	322,643
14,181	14,181	-
(92)	(92)	-
14,089	14,089	-
(10,047)	(10,047)	-
(250,937)	71,706	322,643
(99,148)	(99,148)	-
\$ (350,085)	\$ (27,442)	\$ 322,643

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - Department of Human Services**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Employment & Training			DHS Special Purpose Trust		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	\$ 458,512	\$ 501,210	\$ 42,698	\$ 221,877	\$ 290,165	\$ 68,288
Other				146	1,000	854
Less:						
Refunds						
Total revenues	458,512	501,210	42,698	222,023	291,165	69,142
EXPENDITURES:						
Current:						
Health and social services	520,000	499,431	(20,569)	286,254	233,816	(52,438)
General government				102	99	(3)
Total expenditures	520,000	499,431	(20,569)	286,356	233,915	(52,441)
Excess (deficiency) of revenues over (under) expenditures	(61,488)	1,779	63,267	(64,333)	57,250	121,583
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in				14,181	14,181	-
Operating transfers-out						
Total other sources (uses) of financial resources				14,181	14,181	-
Budgetary funds-nonbudgeted accounts				(10,047)	(10,047)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(61,488)	1,779	63,267	(60,199)	61,384	121,583
Budgetary fund balances (deficits), July 1, 2011	(48,362)	(48,362)	-	(3,454)	(3,454)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (109,850)	\$ (46,583)	\$ 63,267	\$ (63,653)	\$ 57,930	\$ 121,583

USDA Women, Infants and Children			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
\$ 208,568	\$ 222,570	\$ 14,002	\$ 888,957	\$ 1,013,945	\$ 124,988
71,261	72,508	1,247	71,407	73,508	2,101
200	-	(200)	200	-	(200)
279,629	295,078	15,449	960,164	1,087,453	127,289
339,850	297,622	(42,228)	1,146,104	1,030,869	(115,235)
29	29	-	131	128	(3)
339,879	297,651	(42,228)	1,146,235	1,030,997	(115,238)
(60,250)	(2,573)	57,677	(186,071)	56,456	242,527
			14,181	14,181	-
			-	-	-
			14,181	14,181	-
			(10,047)	(10,047)	-
(60,250)	(2,573)	57,677	(181,937)	60,590	242,527
(14,871)	(14,871)	-	(66,687)	(66,687)	-
\$ (75,121)	\$ (17,444)	\$ 57,677	\$ (248,624)	\$ (6,097)	\$ 242,527

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - State Board of Education**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	S.B.E. Department of Agriculture			S.B.E. Federal Department of Education		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	\$ 636,000	\$ 655,774	\$ 19,774	\$ 1,594,553	\$ 1,487,978	\$ (106,575)
Other	-	6	6	3	-	(3)
Total revenues	636,000	655,780	19,780	1,594,556	1,487,978	(106,578)
EXPENDITURES:						
Current:						
Education	736,534	649,076	(87,458)	2,839,949	1,372,512	(1,467,437)
General government				18	18	-
Capital outlays	250	209	(41)	455	270	(185)
Total expenditures	736,784	649,285	(87,499)	2,840,422	1,372,800	(1,467,622)
Excess (deficiency) of revenues over (under) expenditures	(100,784)	6,495	107,279	(1,245,866)	115,178	1,361,044
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out				(17,752)	(17,752)	-
Total other sources (uses) of financial resources				(17,752)	(17,752)	-
Budgetary funds-nonbudgeted accounts	(127)	(127)	-	(4,469)	(4,469)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(100,911)	6,368	107,279	(1,268,087)	92,957	1,361,044
Budgetary fund balances (deficits), July 1, 2011	(40,213)	(40,213)	-	(395,266)	(395,266)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (141,124)	\$ (33,845)	\$ 107,279	\$ (1,663,353)	\$ (302,309)	\$ 1,361,044

(1,368,998)	99,325	1,468,323
(435,479)	(435,479)	-
\$(1,804,477)	\$ (336,154)	\$ 1,468,323

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
State Trust Funds**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Code Departments			Other Agencies, Boards and Commissions State Employees Retirement System		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Sales taxes	\$ 812,777	\$ 812,777	\$ -			
Motor fuel taxes						
Public utility taxes	329,564	329,564	-			
Federal government	-	52,403	52,403			
Other	399,300	691,824	292,524	\$ 1,764,781	\$ 1,764,781	\$ -
Less:						
Refunds	12	-	(12)			
Total revenues	1,541,629	1,886,568	344,939	1,764,781	1,764,781	-
EXPENDITURES:						
Current:						
Health and social services	53,576	43,254	(10,322)			
Education						
General government	4,569	4,514	(55)	300,000	28,739	(271,261)
Public protection and justice						
Environment and business regulation						
Capital outlays	1,272	525	(747)			
Total expenditures	59,417	48,293	(11,124)	300,000	28,739	(271,261)
Excess (deficiency) of revenues over (under) expenditures	1,482,212	1,838,275	356,063	1,464,781	1,736,042	271,261
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in						
Operating transfers-out	(306,941)	(306,941)	-	(94)	(94)	-
Total other sources (uses) of financial resources	(306,941)	(306,941)	-	(94)	(94)	-
Budgetary funds-nonbudgeted accounts	(1,536,093)	(1,536,093)	-	(1,658,939)	(1,658,939)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(360,822)	(4,759)	356,063	(194,252)	77,009	271,261
Budgetary fund balances (deficits), July 1, 2011, as previously reported	154,791	154,791	-	52,978	52,978	-
Reclassifications between budgetary/nonbudgetary funds-net						
Budgetary fund balances (deficits), July 1, 2011, as reclassified	154,791	154,791	-	52,978	52,978	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (206,031)	\$ 150,032	\$ 356,063	\$ (141,274)	\$ 129,987	\$ 271,261

Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
\$ 33,249	\$ 33,249	\$ -	\$ 812,777	\$ 812,777	\$ -
			33,249	33,249	-
			329,564	329,564	-
84,039	109,168	25,129	84,039	161,571	77,532
379,166	555,462	176,296	2,543,247	3,012,067	468,820
300	197	(103)	312	197	(115)
496,154	697,682	201,528	3,802,564	4,349,031	546,467
189,556	160,713	(28,843)	243,132	203,967	(39,165)
18,459	3,654	(14,805)	18,459	3,654	(14,805)
137,519	119,438	(18,081)	442,088	152,691	(289,397)
2,750	2,077	(673)	2,750	2,077	(673)
12,615	4,212	(8,403)	12,615	4,212	(8,403)
			1,272	525	(747)
360,899	290,094	(70,805)	720,316	367,126	(353,190)
135,255	407,588	272,333	3,082,248	3,981,905	899,657
11,787	11,787	-	11,787	11,787	-
(227)	(227)	-	(307,262)	(307,262)	-
11,560	11,560	-	(295,475)	(295,475)	-
(372,521)	(372,521)	-	(3,567,553)	(3,567,553)	-
(225,706)	46,627	272,333	(780,780)	118,877	899,657
89,003	89,003	-	296,772	296,772	-
28,035	28,035	-	28,035	28,035	-
117,038	117,038	-	324,807	324,807	-
\$ (108,668)	\$ 163,665	\$ 272,333	\$ (455,973)	\$ 443,684	\$ 899,657

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
State Trust Funds - Code Departments**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Healthcare and Family Services Public Aid Recoveries Trust			Revenue		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Sales taxes				\$ 812,777	\$ 812,777	\$ -
Public utility taxes				329,564	329,564	-
Federal government	\$ -	\$ 52,403	\$ 52,403			
Other	398,934	691,458	292,524	366	366	-
Less:						
Refunds				12	-	(12)
Total revenues	398,934	743,861	344,927	1,142,695	1,142,707	12
EXPENDITURES:						
Current:						
Health and social services	53,576	43,254	(10,322)			
General government	3,407	3,407	-	1,162	1,107	(55)
Capital outlays	1,272	525	(747)			
Total expenditures	58,255	47,186	(11,069)	1,162	1,107	(55)
Excess (deficiency) of revenues over (under) expenditures	340,679	696,675	355,996	1,141,533	1,141,600	67
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out	(306,941)	(306,941)	-			
Total other sources (uses) of financial resources	(306,941)	(306,941)	-			
Budgetary funds-nonbudgeted accounts	(403,384)	(403,384)	-	(1,132,709)	(1,132,709)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(369,646)	(13,650)	355,996	8,824	8,891	67
Budgetary fund balances (deficits), July 1, 2011	30,164	30,164	-	124,627	124,627	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ (339,482)	\$ 16,514	\$ 355,996	\$ 133,451	\$ 133,518	\$ 67

	Total	
Final Budget	Actual	Variance Over (Under)
\$ 812,777	\$ 812,777	\$ -
329,564	329,564	-
-	52,403	52,403
399,300	691,824	292,524
12	-	(12)
1,541,629	1,886,568	344,939
53,576	43,254	(10,322)
4,569	4,514	(55)
1,272	525	(747)
59,417	48,293	(11,124)
1,482,212	1,838,275	356,063
(306,941)	(306,941)	-
(306,941)	(306,941)	-
(1,536,093)	(1,536,093)	-
(360,822)	(4,759)	356,063
154,791	154,791	-
\$ (206,031)	\$ 150,032	\$ 356,063

State of Illinois

**Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
State Trust Funds - Department of Revenue**

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Home Rule Municipal ROT			Municipal Telecommunications		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Sales taxes	\$ 812,777	\$ 812,777	\$ -			
Public utility taxes				\$ 329,564	\$ 329,564	\$ -
Other	366	366	-			
Less:						
Refunds				12	-	(12)
Total revenues	813,143	813,143	-	329,552	329,564	12
EXPENDITURES:						
Current:						
General government	1,162	1,107	(55)			
Total expenditures	1,162	1,107	(55)			
Excess (deficiency) of revenues over (under) expenditures	811,981	812,036	55	329,552	329,564	12
Budgetary funds-nonbudgeted accounts	(831,532)	(831,532)	-	(301,177)	(301,177)	-
Excess (deficiency) of revenues over (under) expenditures and budgetary funds-nonbudgeted accounts	(19,551)	(19,496)	55	28,375	28,387	12
Budgetary fund balances (deficits), July 1, 2011	108,393	108,393	-	16,234	16,234	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2012	\$ 88,842	\$ 88,897	\$ 55	\$ 44,609	\$ 44,621	\$ 12

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Statistical Section

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STATISTICAL SECTION

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

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Debt Capacity

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future. 316

Demographic and Economic Information

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Operating Information

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Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

State of Illinois
Net Assets by Component
Last Ten Fiscal Year Ends
(Accrual Basis of Accounting, Amounts in Thousands)

	For the Fiscal Year				
	2012	2011	2010	2009	2008
Governmental Activities					
Invested in capital assets, net of related debt	\$ 14,990,452	\$ 14,696,923	\$ 14,770,681	\$ 14,148,546	\$ 13,688,917
Restricted	3,568,812	3,447,715	1,257,062	998,026	978,277
Unrestricted	(65,133,224)	(61,753,364)	(53,562,848)	(44,608,334)	(39,213,817)
Total governmental activities net assets	<u>(46,573,960)</u>	<u>(43,608,726)</u>	<u>(37,535,105)</u>	<u>(29,461,762)</u>	<u>(24,546,623)</u>
Business-type Activities					
Invested in capital assets, net of related debt	4,673	3,890	3,791	3,630	2,983
Restricted	2,253,093	2,362,947	2,182,492	2,732,443	4,533,482
Unrestricted	(422,682)	(1,129,243)	(1,227,648)	(161,927)	(840)
Total business-type activities net assets	<u>1,835,084</u>	<u>1,237,594</u>	<u>958,635</u>	<u>2,574,146</u>	<u>4,535,625</u>
Primary Government					
Invested in capital assets, net of related debt	14,995,125	14,700,813	14,774,472	14,152,176	13,691,900
Restricted	5,821,905	5,810,662	3,439,554	3,730,469	5,511,759
Unrestricted	(65,555,906)	(62,882,607)	(54,790,496)	(44,770,261)	(39,214,657)
Total primary government net assets	<u>\$(44,738,876)</u>	<u>\$(42,371,132)</u>	<u>\$(36,576,470)</u>	<u>\$(26,887,616)</u>	<u>\$(20,010,998)</u>

Note: Balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

State of Illinois
Fund Balances, Governmental Funds
Last Ten Fiscal Year Ends
(Modified Accrual Basis of Accounting, Amounts in Thousands)

	For the Fiscal Year				
	2012	2011	2010	2009	2008
General fund (per GASB 54)					
Nonspendable	\$ 34,652	\$ 32,108			
Restricted	39,276	37,247			
Committed	864,077	1,132,322			
Assigned	-	-			
Unassigned	(10,070,984)	(9,211,633)			
General fund (prior to GASB 54)					
Reserved			\$ 44,002	\$ 40,803	\$ 67,135
Unreserved			(8,861,844)	(7,463,137)	(4,102,555)
Total general fund	<u>(9,132,979)</u>	<u>(8,009,956)</u>	<u>(8,817,842)</u>	<u>(7,422,334)</u>	<u>(4,035,420)</u>
All other governmental funds (per GASB 54)					
Nonspendable	\$ 85,281	\$ 78,447			
Restricted	3,249,709	3,192,381			
Committed	3,848,234	3,437,839			
Assigned	7,959	20,984			
Unassigned	(1,553,553)	(1,698,486)			
All other governmental funds (prior to GASB 54)					
Reserved			\$ 501,514	\$ 507,169	\$ 488,365
Unreserved, reported in:					
Special revenue funds			1,287,511	1,990,761	2,215,352
Debt service funds			1,061,585	837,423	850,615
Capital projects funds			2,036,453	15,991	46,248
Permanent funds			13,648	916	1,248
Total all other governmental funds	<u>\$ 5,637,630</u>	<u>\$ 5,031,165</u>	<u>\$ 4,900,711</u>	<u>\$ 3,352,260</u>	<u>\$ 3,601,828</u>

Notes: Balances have been restated for prior period adjustments, corrections and reclassifications when practical. Additionally, due to the implementation of GASB Statement No. 54 in fiscal year 2011, fund balances have been classified as Nonspendable, Restricted, Committed, Assigned and Unassigned. For fiscal years prior to 2011, fund balances were classified as Reserved or Unreserved according to GASB Statement No. 34.

The dramatic increase in unreserved fund balances reported in special revenue funds in fiscal year 2003 was the result of the \$10 billion general obligation bond for funding and reimbursing a portion of the State's contributions to the State's retirement system issued just prior to the end of fiscal year 2003. The majority of the bond issue was not distributed until fiscal year 2004.

Schedule 1

Ended June 30,				
2007	2006	2005	2004	2003
\$ 13,370,326	\$ 12,518,094	\$ 12,088,581	\$ 11,924,560	\$ 11,750,160
954,435	956,926	942,154	912,938	1,855,032
(35,169,568)	(32,218,061)	(30,611,904)	(28,248,123)	(26,445,507)
(20,844,807)	(18,743,041)	(17,581,169)	(15,410,625)	(12,840,315)
2,966	3,114	3,110	3,539	3,615
4,534,492	3,923,607	2,598,458	2,380,247	2,037,232
(15,145)	(111,414)	170,619	(352,806)	137,542
4,522,313	3,815,307	2,772,187	2,030,980	2,178,389
13,373,292	12,521,208	12,091,691	11,928,099	11,753,775
5,488,927	4,880,533	3,540,612	3,293,185	3,892,264
(35,184,713)	(32,329,475)	(30,441,285)	(28,600,929)	(26,307,965)
<u>\$ (16,322,494)</u>	<u>\$ (14,927,734)</u>	<u>\$ (14,808,982)</u>	<u>\$ (13,379,645)</u>	<u>\$ (10,661,926)</u>

Schedule 2

Ended June 30,				
2007	2006	2005	2004	2003
\$ 53,544	\$ 49,921	\$ 50,375	\$ 145,766	\$ 275,203
(4,224,670)	(3,020,145)	(3,349,245)	(2,691,535)	(4,455,975)
(4,171,126)	(2,970,224)	(3,298,870)	(2,545,769)	(4,180,772)

\$ 165,428	\$ 180,970	\$ 158,571	\$ 316,714	\$ 166,137
2,441,850	2,506,755	1,830,925	1,784,366	11,044,754
834,197	823,784	836,740	792,078	1,217,431
143,539	465,974	32,959	(21,857)	37,208
1,131	1,108	418	539	2,897
<u>\$ 3,586,145</u>	<u>\$ 3,978,591</u>	<u>\$ 2,859,613</u>	<u>\$ 2,871,840</u>	<u>\$ 12,468,427</u>

State of Illinois

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting, Amounts in Thousands)

	For the Fiscal Year				
	2012	2011	2010	2009	2008
Governmental Activities:					
Expenses					
Health and social services	\$ 26,021,677	\$ 24,972,973	\$ 24,444,776	\$ 23,532,863	\$ 21,687,952
Education	17,703,469	17,839,554	17,255,748	16,337,431	15,242,711
General government	2,575,789	1,755,142	1,478,124	1,956,817	1,935,074
Employment and economic development	1,332,412	1,581,353	1,258,762	861,955	874,861
Transportation	4,471,245	4,867,065	4,852,940	4,275,112	4,198,002
Public protection and justice	3,621,072	3,579,498	3,391,692	3,246,422	3,223,783
Environment and business regulation	1,033,428	1,055,309	1,033,959	803,815	926,138
Intergovernmental-revenue sharing	5,329,498	5,191,373	4,205,934	4,631,525	5,139,754
Interest	1,608,440	1,368,509	1,183,995	1,123,866	1,137,058
Total governmental activities expenses	63,697,030	62,210,776	59,105,930	56,769,806	54,365,333
Program revenues					
Charges for services:					
Health and social services	175,218	228,431	173,099	177,666	154,884
Education	6,666	4,886	5,222	4,446	4,529
General government	2,177,712	2,195,738	1,891,921	2,109,969	2,100,042
Employment and economic development	17,107	22,681	29,567	20,208	19,714
Transportation	38,595	45,553	117,720	53,885	78,574
Public protection and justice	131,729	121,456	107,568	57,543	97,923
Environment and business regulation	446,925	316,821	436,716	346,929	344,794
Operating grants and contributions	18,378,500	19,734,925	20,733,921	18,041,268	14,287,548
Capital grants and contributions	1,555,210	1,586,140	964,434	1,495,709	1,274,394
Total governmental activities program revenues	22,927,662	24,256,631	24,460,168	22,307,623	18,362,402
Total governmental activities net program expense	(40,769,368)	(37,954,145)	(34,645,762)	(34,462,183)	(36,002,931)
General revenues and other changes in net assets					
Taxes					
Income taxes	19,585,251	14,407,585	10,186,345	11,845,194	13,413,993
Sales taxes	9,800,153	9,619,503	8,840,841	9,157,404	10,147,458
Motor fuel taxes	1,269,484	1,302,295	1,295,473	1,349,275	1,405,713
Public utility taxes	1,487,570	1,572,930	1,558,036	1,678,023	1,691,688
Riverboat taxes	495,055	457,865	483,091	533,271	696,835
Hospital assessment taxes	964,307	942,557	969,933	978,248	804,168
Other taxes	2,341,243	1,800,980	1,715,169	2,181,647	2,134,966
Interest and investment income	53,597	62,254	52,233	139,553	325,057
Other revenues	1,029,051	1,019,165	803,293	1,006,261	1,013,148
Gain on capital assets traded-in	-	-	19	4,814	-
Transfers	778,423	695,390	667,986	673,354	668,089
Total general revenues and other changes in net assets	37,804,134	31,880,524	26,572,419	29,547,044	32,301,115
Total governmental activities change in net assets	(2,965,234)	(6,073,621)	(8,073,343)	(4,915,139)	(3,701,816)

Note: Balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

Revenue from income taxes increased significantly during fiscal year 2012 and 2011 as the State legislatures voted to raise the individual income tax rate from 3% to 5% and the corporate income tax rate from 4.8% to 7.0%.

Revenue from hospital assessment taxes increased significantly during fiscal year 2007 as the State retroactively assessed taxes for fiscal year 2006 revenues upon approval in November 2006 by the federal government of the State's Hospital Assessment plan.

Schedule 3

Ended June 30,				
2007	2006	2005	2004	2003
\$ 21,417,224	\$ 18,591,748	\$ 19,553,743	\$ 17,746,164	\$ 16,495,962
14,433,190	13,544,450	13,623,467	13,514,779	12,962,131
1,668,454	1,502,362	492,374	535,511	846,163
988,866	1,091,298	968,262	1,217,263	1,342,665
3,818,291	3,484,409	3,615,977	3,530,420	3,807,907
2,730,219	2,560,566	2,851,184	2,573,918	2,498,208
835,328	733,128	899,723	778,161	867,002
5,036,015	4,565,480	4,197,679	3,696,687	3,473,281
1,200,754	1,222,382	1,218,077	1,149,157	672,707
<u>52,128,341</u>	<u>47,295,823</u>	<u>47,420,486</u>	<u>44,742,060</u>	<u>42,966,026</u>
137,591	119,559	110,330	102,745	96,670
14,650	4,381	6,685	10,630	2,306
2,046,175	1,968,930	1,986,302	1,855,274	1,614,665
22,075	22,933	20,351	19,992	24,983
44,292	30,483	28,829	21,632	20,685
89,335	92,988	87,934	79,504	81,633
361,174	365,324	377,194	390,085	232,659
14,537,244	13,498,279	13,897,415	13,060,543	11,824,638
<u>1,025,947</u>	<u>1,040,220</u>	<u>866,924</u>	<u>862,165</u>	<u>719,759</u>
<u>18,278,483</u>	<u>17,143,097</u>	<u>17,381,964</u>	<u>16,402,570</u>	<u>14,617,998</u>
<u>(33,849,858)</u>	<u>(30,152,726)</u>	<u>(30,038,522)</u>	<u>(28,339,490)</u>	<u>(28,348,028)</u>
12,337,762	11,224,605	10,391,204	9,059,096	8,509,857
9,846,437	9,603,316	9,150,521	8,941,852	8,227,295
1,443,544	1,426,605	1,425,794	1,402,081	1,325,748
1,605,502	1,523,795	1,521,187	1,510,606	1,605,144
817,590	813,489	664,569	642,370	670,478
1,538,512	75,515	707,619	76,077	83,276
1,973,612	1,986,155	2,112,874	1,933,620	1,827,859
358,191	271,291	144,455	90,573	124,407
1,173,423	1,404,974	1,108,333	1,547,298	1,344,446
-	-	-	-	-
<u>653,519</u>	<u>661,109</u>	<u>641,422</u>	<u>568,802</u>	<u>528,711</u>
<u>31,748,092</u>	<u>28,990,854</u>	<u>27,867,978</u>	<u>25,772,375</u>	<u>24,247,221</u>
<u>(2,101,766)</u>	<u>(1,161,872)</u>	<u>(2,170,544)</u>	<u>(2,567,115)</u>	<u>(4,100,807)</u>

(continued)

State of Illinois

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting, Amounts in Thousands)

(continued)

	For the Fiscal Year				
	2012	2011	2010	2009	2008
Business-Type Activities:					
Expenses					
Unemployment compensation trust	5,087,631	6,424,471	8,259,960	5,086,053	1,991,147
Water revolving	85,366	84,114	113,383	18,085	17,689
Prepaid tuition program	193,523	94,405	86,447	74,718	73,559
Insurance programs	-	-	-	-	-
Lottery	1,941,324	1,601,387	1,544,196	1,443,717	1,411,951
Designated account purchase program	41,617	58,376	57,250	62,622	101,174
Federal student loans	189,251	238,507	214,905	199,964	192,771
Other	176,034	169,082	140,331	122,312	148,273
Total business-type activities expenses	7,714,746	8,670,342	10,416,472	7,007,471	3,936,564
Program revenues					
Charges for services:					
Unemployment compensation trust	3,216,031	2,626,928	1,849,486	1,600,817	1,998,139
Water revolving	42,958	44,393	44,940	46,007	44,163
Prepaid tuition program	35,294	170,250	90,249	(153,932)	(75,740)
Insurance programs	-	-	-	-	-
Lottery	2,682,379	2,269,675	2,196,315	2,082,039	2,062,048
Designated account purchase program	36,110	45,434	55,073	50,809	74,913
Federal student loans	23,688	31,179	22,451	19,756	25,629
Other	122,779	214,655	119,132	130,858	136,975
Operating grants and contributions	2,891,670	4,196,904	5,086,516	1,866,986	246,854
Total business-type activities program revenues	9,050,909	9,599,418	9,464,162	5,643,340	4,512,981
Total business-type activities net program revenue (expense)	1,336,163	929,076	(952,310)	(1,364,131)	576,417
General revenues and other changes in net assets					
Interest and investment income	39,750	41,959	4,785	76,006	115,694
Other revenues	-	3,314	-	-	145
Special items	-	-	-	-	(10,855)
Transfers	(778,423)	(695,390)	(667,986)	(673,354)	(668,089)
Total business-type activities general revenues and other changes in net assets	(738,673)	(650,117)	(663,201)	(597,348)	(563,105)
Total business-type activities change in net assets	597,490	278,959	(1,615,511)	(1,961,479)	13,312
Total primary government change in net assets	\$ (2,367,744)	\$ (5,794,662)	\$ (9,688,854)	\$ (6,876,618)	\$ (3,688,504)

Note: Balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

Effective for the year ended June 30, 2007, the Teachers Health Insurance Security Fund and the Community College Health Insurance Security Fund are reported as pension (and other employment benefit) funds. They were reported as enterprise funds in previous years.

Schedule 3

Ended June 30,				
2007	2006	2005	2004	2003
1,795,169	1,731,262	1,982,556	2,672,436	3,054,290
22,820	22,620	23,988	18,519	15,828
61,641	50,730	41,148	35,771	25,825
-	409,726	379,752	335,476	294,569
1,370,559	1,334,373	1,196,982	1,144,936	1,054,094
303,817	267,707	167,074	110,961	112,153
180,554	146,053	123,694	102,715	117,718
212,217	93,633	95,892	93,990	134,251
<u>3,946,777</u>	<u>4,056,104</u>	<u>4,011,086</u>	<u>4,514,804</u>	<u>4,808,728</u>
2,391,445	2,678,643	2,602,747	2,336,187	2,009,704
62,818	55,557	49,833	38,018	38,169
127,123	52,090	49,979	50,263	13,615
-	421,950	376,730	326,380	320,299
2,003,739	1,968,755	1,818,422	1,712,831	1,589,846
192,214	163,023	107,734	89,077	91,748
172,003	134,277	117,980	98,698	115,540
166,230	96,398	120,799	136,067	144,080
178,263	140,578	120,347	140,484	155,607
<u>5,293,835</u>	<u>5,711,271</u>	<u>5,364,571</u>	<u>4,928,005</u>	<u>4,478,608</u>
<u>1,347,058</u>	<u>1,655,167</u>	<u>1,353,485</u>	<u>413,201</u>	<u>(330,120)</u>
86,036	48,698	27,679	8,057	33,647
1,900	364	1,465	135	114
-	-	-	-	-
<u>(653,519)</u>	<u>(661,109)</u>	<u>(641,422)</u>	<u>(568,802)</u>	<u>(528,711)</u>
<u>(565,583)</u>	<u>(612,047)</u>	<u>(612,278)</u>	<u>(560,610)</u>	<u>(494,950)</u>
<u>781,475</u>	<u>1,043,120</u>	<u>741,207</u>	<u>(147,409)</u>	<u>(825,070)</u>
<u>\$ (1,320,291)</u>	<u>\$ (118,752)</u>	<u>\$ (1,429,337)</u>	<u>\$ (2,714,524)</u>	<u>\$ (4,925,877)</u>

State of Illinois
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting, Amounts in Thousands)

	For the Fiscal Year				
	2012	2011	2010	2009	2008
Revenues					
Income taxes	\$ 19,597,757	\$ 14,410,452	\$ 10,132,945	\$ 11,860,233	\$ 13,546,025
Sales taxes	9,794,571	9,627,310	8,820,201	9,156,235	10,142,098
Motor fuel taxes	1,275,042	1,299,397	1,302,000	1,350,032	1,410,656
Public utility taxes	1,495,251	1,578,941	1,564,966	1,667,389	1,695,635
Riverboat taxes	495,055	457,865	483,091	533,271	696,835
Hospital assessment taxes	961,546	944,635	970,164	975,086	1,538,237
Other taxes	2,168,203	1,815,470	1,923,107	1,902,400	2,100,913
Federal government	18,213,961	20,389,879	21,084,394	18,148,428	15,123,364
Licenses and fees	2,587,031	2,406,475	2,294,068	2,051,258	2,138,772
Interest and other investment income	52,495	51,462	52,094	136,596	318,787
Other revenues	2,106,663	2,175,221	1,975,536	2,317,811	2,186,591
Total revenues	58,747,575	55,157,107	50,602,566	50,098,739	50,897,913
Expenditures					
Health and social services	25,643,420	24,571,136	24,130,047	23,171,985	21,212,437
Education	15,064,753	15,681,944	15,525,027	14,319,907	13,281,734
General government	2,214,383	1,383,859	1,316,201	1,360,562	1,304,174
Employment and economic development	1,298,303	1,534,519	1,193,374	802,053	814,898
Transportation	3,272,768	3,617,622	3,698,028	3,200,491	3,029,674
Public protection and justice	3,180,977	3,043,677	3,003,370	2,817,374	2,723,434
Environment and business regulation	930,414	945,980	944,869	802,942	797,785
Debt service:					
Principal	1,819,303	1,975,685	925,276	928,339	937,114
Interest	1,576,539	1,353,275	1,073,432	1,102,787	1,100,439
Capital outlay	1,916,674	2,024,842	1,882,840	1,456,465	1,238,397
Intergovernmental	5,329,498	5,191,373	4,205,934	4,631,525	5,139,754
Total expenditures	62,247,032	61,323,912	57,898,398	54,594,430	51,579,840
Deficiency of revenues (under) expenditures	(3,499,457)	(6,166,805)	(7,295,832)	(4,495,691)	(681,927)
Other Financing Sources (Uses)					
General and special obligation and revenue bonds issued	2,100,040	6,403,460	6,698,015	150,000	175,000
Premiums on general and special obligation and revenue bonds issued	80,268	6,607	42,840	2,290	6,724
Discounts on general obligation bonds issued	-	(90)	-	-	-
General and special obligation refunding bonds issued	1,797,740	-	1,956,380	-	-
Premiums on general and special obligation refunding bonds issued	165,789	-	157,131	-	-
Transfers-in	6,099,132	9,764,160	11,375,512	9,554,492	11,883,985
Transfers-out	(5,334,744)	(9,068,773)	(10,691,690)	(8,864,876)	(11,214,684)
Payment to refunded bond escrow agent	(1,934,435)	-	(2,090,772)	-	-
Capital lease financing	2,788	1,282	1,001	1,364	1,625
Proceeds from disposition of capital assets	-	-	-	-	-
Total other financing sources (uses)	2,976,578	7,106,646	7,448,417	843,270	852,650
Net change in fund balances	\$ (522,879)	\$ 939,841	\$ 152,585	\$ (3,652,421)	\$ 170,723
Debt service as a percentage of noncapital expenditures	5.63%	5.61%	3.57%	3.82%	4.05%

Note: Balances have been reclassified for prior period adjustments, corrections, and reclassifications when practical.

The dramatic increase in net change in fund balances reported in fiscal year 2003 was the result of the \$10 billion general obligation bond issued for funding and reimbursing a portion of the State's contributions to the State's retirement systems. The majority of the bond issue was shown as expenditures in fiscal year 2004 causing a corresponding decrease in net change in fund balance.

Revenue from hospital assessment taxes increased significantly during fiscal year 2008 as the State recognized assessed taxes from the previous fiscal year which were unavailable at June 30, 2007.

Schedule 4

Ended June 30,				
2007	2006	2005	2004	2003
\$ 12,244,124	\$ 11,253,161	\$ 10,382,711	\$ 9,029,052	\$ 8,504,873
9,864,637	9,590,006	9,148,752	8,937,628	8,227,102
1,436,518	1,426,963	1,425,776	1,408,961	1,377,995
1,615,402	1,531,206	1,523,083	1,489,459	1,612,941
817,590	813,489	664,569	642,370	670,478
804,797	75,515	707,619	76,077	83,276
1,973,752	1,990,265	2,118,860	1,908,260	1,827,394
14,343,656	13,568,161	13,345,290	13,087,499	11,756,201
2,126,360	2,133,112	2,153,560	2,098,169	1,675,796
349,817	265,999	142,798	90,085	123,758
2,401,881	2,668,622	2,407,546	2,374,839	2,162,727
47,978,534	45,316,499	44,020,564	41,142,399	38,022,541
21,231,376	18,438,775	19,492,899	18,014,003	16,477,116
12,357,592	11,593,903	12,218,024	18,136,163	11,693,002
1,316,223	1,183,333	228,730	443,041	613,779
960,102	1,062,001	963,293	1,246,758	1,344,047
2,800,738	2,468,345	2,702,364	2,736,531	2,942,719
2,488,988	2,338,618	2,700,104	2,887,584	2,434,904
770,455	669,501	858,386	828,729	899,288
864,533	820,486	775,756	662,936	735,430
1,116,514	1,117,167	1,083,680	1,026,546	490,854
1,607,162	1,544,912	1,397,108	1,628,632	1,754,708
5,036,015	4,565,480	4,197,679	3,696,687	3,473,281
50,549,698	45,802,521	46,618,023	51,307,610	42,859,128
(2,571,164)	(486,022)	(2,597,459)	(10,165,211)	(4,836,587)
258,000	1,140,000	1,075,000	1,525,000	11,894,304
12,085	63,780	73,513	76,773	116,805
-	-	-	-	(2,869)
329,000	274,950	-	617,175	695,025
14,014	11,824	-	63,171	65,573
9,088,399	8,779,739	10,017,074	10,485,498	7,488,813
(8,402,727)	(8,073,119)	(9,331,080)	(9,889,388)	(6,960,102)
(341,849)	(285,778)	-	(678,668)	(757,330)
8,288	1,366	3,232	2,512	4,415
-	5,500	-	-	-
965,210	1,918,262	1,837,739	2,202,073	12,544,634
\$ (1,605,954)	\$ 1,432,240	\$ (759,720)	\$ (7,963,138)	\$ 7,708,047
4.05%	4.38%	4.11%	3.40%	2.98%

State of Illinois**Personal Income by Industry
Last Ten Calendar Years
(Amounts in Thousands)**

	For the Calendar Year				
	2011	2010	2009	2008	2007
Farm earnings	\$ 6,047,992	\$ 3,697,446	\$ 4,078,836	\$ 5,651,082	\$ 3,189,921
Agricultural/forestry, fishing, and other	436,279	418,545	345,063	323,142	353,138
Mining	1,034,648	972,150	952,507	1,558,116	2,380,656
Construction/utilities	23,237,365	22,886,641	23,826,874	27,547,981	27,690,823
Manufacturing	49,033,122	46,199,378	44,219,914	51,284,621	49,625,389
Transportation and public utilities	17,281,467	16,414,487	15,684,250	16,580,644	16,598,805
Wholesale trade	26,974,403	25,231,367	24,699,454	26,850,101	26,280,719
Retail trade	22,099,844	21,187,630	20,663,831	21,791,175	23,039,406
Finance, insurance, and real estate	45,781,202	44,101,855	42,085,141	43,714,915	44,827,372
Services	171,282,968	164,176,623	158,989,478	164,901,866	159,925,967
Federal, civilian	9,388,414	9,474,668	8,816,545	8,631,399	8,429,172
Military	3,333,832	3,623,287	3,581,057	3,342,994	3,107,053
State and local government	49,896,098	49,321,552	47,895,065	45,275,097	42,813,098
Other	136,834,846	131,974,389	127,107,582	137,068,361	124,325,490
Total personal income	\$ 562,662,480	\$ 539,680,018	\$ 522,945,597	\$ 554,521,494	\$ 532,587,009
Tax liability	\$ 12,855,244	\$ 8,131,062	\$ 7,812,307	\$ 8,402,169	\$ 8,762,122
Average effective rate	2.28%	1.51%	1.49%	1.52%	1.65%

Note: The total direct rate for personal income is not available.

Average effective rate equals tax collections divided by income.

Source: U.S. Bureau of Economic Analysis

State of Illinois**Taxable Sales by Industry
Last Ten Fiscal Years
(Amounts in Thousands)**

	For the Fiscal Year				
	2012	2011	2010	2009	2008
General merchandise	\$ 21,379,802	\$ 12,406,368	\$ 12,014,343	\$ 17,198,339	\$ 20,795,910
Food	20,602,149	19,700,141	18,932,808	19,434,980	20,055,709
Drinking and eating places	19,377,805	18,408,341	16,857,284	17,362,456	17,839,212
Apparel	6,601,677	14,736,097	13,560,264	9,192,958	6,360,979
Furniture, household, and radio	9,201,686	8,833,159	8,249,837	8,797,308	10,466,904
Lumber, building, and hardware	8,593,170	8,332,430	8,040,005	8,678,872	12,620,346
Automotive and filling stations	35,771,184	33,575,575	29,714,908	30,055,943	37,943,597
Drugs and other retail	27,458,332	25,180,327	23,792,285	24,366,956	25,329,145
Agriculture and extractives	24,608,599	24,720,332	21,475,741	23,809,122	27,059,367
Manufacturing	4,308,079	4,294,155	3,980,846	4,445,506	4,990,610
Total	\$ 177,902,483	\$ 170,186,925	\$ 156,618,321	\$ 163,342,440	\$ 183,461,779

Direct sales tax rate:

Qualifying food, drugs, and medical appliances	1.00%	1.00%	1.00%	1.00%	1.00%
General merchandise	6.25%	6.25%	6.25%	6.25%	6.25%

Source: Department of Revenue

Schedule 5

Ended December 31,				
2006	2005	2004	2003	2002
\$ 2,078,022	\$ 1,830,007	\$ 3,740,372	\$ 1,949,195	\$ 955,707
344,059	335,074	317,432	287,288	265,160
2,765,061	2,317,874	2,055,374	1,873,786	1,732,984
28,794,477	26,932,201	25,869,656	24,894,523	24,320,875
48,647,548	47,039,206	45,944,451	45,053,128	44,956,505
16,486,056	15,541,871	14,768,596	13,961,448	13,697,947
24,612,794	23,160,257	21,925,351	20,752,693	20,655,643
22,162,856	21,515,885	20,897,006	20,436,243	19,765,409
44,379,687	41,569,224	40,520,637	37,983,889	37,148,809
151,644,458	142,590,569	134,818,796	126,321,834	122,806,308
8,172,661	7,975,398	7,678,762	7,106,845	6,968,280
2,911,719	2,834,733	2,741,011	2,590,243	2,379,260
40,860,095	39,567,981	41,849,193	42,570,966	36,101,800
110,633,528	98,862,396	92,163,935	90,118,759	91,523,398
<u>\$ 504,493,021</u>	<u>\$ 472,072,676</u>	<u>\$ 455,290,572</u>	<u>\$ 435,900,840</u>	<u>\$ 423,278,085</u>
<u>\$ 8,388,536</u>	<u>\$ 7,729,649</u>	<u>\$ 7,394,901</u>	<u>\$ 6,797,980</u>	<u>\$ 6,500,463</u>
<u>1.66%</u>	<u>1.64%</u>	<u>1.62%</u>	<u>1.56%</u>	<u>1.54%</u>

Schedule 6

Ended June 30,				
2007	2006	2005	2004	2003
\$ 20,309,083	\$ 19,600,033	\$ 19,088,864	\$ 18,626,322	\$ 17,988,962
18,894,356	18,832,493	18,362,003	18,741,796	18,433,453
17,116,672	16,627,151	15,652,501	14,968,004	14,036,937
6,141,805	5,827,022	5,528,017	5,159,596	4,806,953
10,280,540	10,441,898	9,897,051	9,224,073	8,529,475
12,626,543	10,879,756	10,414,709	9,593,743	8,582,184
32,772,319	35,803,644	32,207,314	31,613,327	30,962,662
24,817,828	22,775,595	21,351,837	20,414,099	25,348,617
25,952,233	25,522,299	31,350,034	20,922,639	21,010,315
5,068,327	4,927,891	4,639,168	3,896,955	4,059,975
<u>\$ 173,979,706</u>	<u>\$ 171,237,782</u>	<u>\$ 168,491,498</u>	<u>\$ 153,160,554</u>	<u>\$ 153,759,533</u>
1.00%	1.00%	1.00%	1.00%	1.00%
6.25%	6.25%	6.25%	6.25%	6.25%

Personal Income Tax Filers and Liability by Income Level
Calendar Years 2011 and 2002
(Amounts in Thousands)

For the Calendar Year Ended December 31, 2011

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	34,154	0.63%	\$ 1,779,034	13.84%
\$100,001 - \$500,000	812,315	14.91%	5,366,045	41.74%
\$50,001 - \$100,000	1,274,370	23.39%	3,327,240	25.88%
\$25,001 - \$50,000	1,240,896	22.77%	1,619,296	12.60%
\$25,000 and less	2,086,884	38.30%	763,629	5.94%
Total	5,448,619	100.00%	\$ 12,855,244	100.00%

For the Calendar Year Ended December 31, 2002

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	25,591	0.49%	\$ 1,058,639	16.29%
\$100,001 - \$500,000	491,056	9.41%	2,002,175	30.80%
\$50,001 - \$100,000	1,206,013	23.12%	1,941,785	29.87%
\$25,001 - \$50,000	1,308,453	25.08%	1,046,065	16.09%
\$25,000 and less	2,185,994	41.90%	451,799	6.95%
Total	5,217,107	100.00%	\$ 6,500,463	100.00%

Note: Generally, the tax liability for a filer (an individual or married couple) is calculated by taking the filer(s)'s federal adjusted gross income and subtracting the number of exemptions and multiplying the result by the State's income tax rate of 3%. The State exemption amount was \$2,000 for calendar year 2002 and \$2,000 for calendar year 2011. An exemption is allowed on a return for each filer(s) and dependent(s). Additional exemptions are allowed for each filer(s) who is 65 or older and for each filer(s) who is legally blind.

Source: Department of Revenue

Sales Tax Revenue Payers by Industry
Fiscal Years 2012 and 2003
(Amounts in Thousands)

For the Fiscal Year Ended June 30, 2012				
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
General merchandise	2,069	0.17%	\$ 1,376,317	11.23%
Food	7,489	0.61%	870,276	7.10%
Drinking and eating places	25,865	2.09%	1,616,394	13.19%
Apparel	7,900	0.64%	554,988	4.53%
Furniture, household, and radio	13,315	1.08%	734,222	5.99%
Lumber, building, and hardware	12,218	0.99%	710,003	5.79%
Automotive and filling stations	1,032,114	83.42%	2,541,039	20.73%
Drugs and other retail	55,838	4.51%	1,602,041	13.07%
Agriculture and extractives	67,476	5.44%	1,850,792	15.10%
Manufacturing	12,992	1.05%	400,817	3.27%
Total	1,237,276	100.00%	\$ 12,256,889	100.00%

For the Fiscal Year Ended June 30, 2003				
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
General merchandise	1,816	0.64%	\$ 1,153,728	12.08%
Food	9,889	3.50%	643,347	6.73%
Drinking and eating places	26,614	9.43%	1,049,812	10.99%
Apparel	7,432	2.63%	370,615	3.88%
Furniture, household, and radio	18,305	6.48%	636,159	6.66%
Lumber, building, and hardware	13,742	4.87%	650,308	6.81%
Automotive and filling stations	52,414	18.57%	2,101,066	21.99%
Drugs and other retail	64,762	22.94%	1,067,590	11.17%
Agriculture and extractives	74,124	26.27%	1,543,124	16.14%
Manufacturing	13,192	4.67%	338,869	3.55%
Total	282,290	100.00%	\$ 9,554,618	100.00%

Note: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax revenue.

Also, in fiscal year 2003, the Department of Revenue changed their system of returns for automobile sales to counting each individual sale of a vehicle as a sales tax return filed.

Source: Department of Revenue

State of Illinois

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amounts in Thousands)**

	2012	2011	2010	2009	For the Fiscal 2008
Governmental activities					
General obligation bonds	\$ 28,141,980	\$ 28,256,367	\$ 25,136,941	\$ 19,669,908	\$ 20,253,876
Special obligation bonds	2,934,527	2,394,597	2,591,591	2,204,110	2,365,323
Revenue bonds	1,450,094	1,509,846	-	-	-
Capital leases	7,648	6,632	6,477	8,736	9,727
Installment purchases	3,412	8,109	14,158	19,067	12,302
Certificates of participation	58,190	66,870	75,095	82,895	90,300
Total governmental activities	32,595,851	32,242,421	27,824,262	21,984,716	22,731,528
Business-type activities					
Revenue bonds	590,704	704,284	1,019,701	1,027,300	879,441
Notes payable	-	-	-	-	-
Capital leases	-	4	7	3	5
Installment purchases	-	-	-	-	-
Total business-type activities	590,704	704,288	1,019,708	1,027,303	879,446
Total primary government	\$ 33,186,555	\$ 32,946,709	\$ 28,843,970	\$ 23,012,019	\$ 23,610,974
Total primary government debt as a percentage of personal income	5.90%	6.10%	5.52%	4.15%	4.43%
Total amount of primary government debt per capita	\$ 2.579	\$ 2.566	\$ 2.254	\$ 1.805	\$ 1.860

Note: Details regarding the State's debt can be found in Note 8 of the financial statements.

Schedule 9

Year Ended June 30,

2007	2006	2005	2004	2003
\$ 20,865,798	\$ 21,257,664	\$ 20,909,291	\$ 20,554,896	\$ 19,779,249
2,467,733	2,614,724	2,515,469	2,409,159	2,130,229
-	-	-	-	-
10,735	11,392	11,139	13,895	19,022
16,241	10,574	16,123	10,217	19,859
97,335	107,580	114,805	122,965	130,720
<u>23,457,842</u>	<u>24,001,934</u>	<u>23,566,827</u>	<u>23,111,132</u>	<u>22,079,079</u>
3,709,323	4,454,444	4,675,455	3,785,870	3,260,400
-	-	-	685,469	100,294
-	-	24	50	75
-	-	-	4	29
<u>3,709,323</u>	<u>4,454,444</u>	<u>4,675,479</u>	<u>4,471,393</u>	<u>3,360,798</u>
<u>\$ 27,167,165</u>	<u>\$ 28,456,378</u>	<u>\$ 28,242,306</u>	<u>\$ 27,582,525</u>	<u>\$ 25,439,877</u>
<u>5.39%</u>	<u>6.03%</u>	<u>6.20%</u>	<u>6.33%</u>	<u>6.01%</u>
<u>\$ 2.149</u>	<u>\$ 2.257</u>	<u>\$ 2.243</u>	<u>\$ 2.197</u>	<u>\$ 2.031</u>

State of Illinois

Ratios of General Bonded Debt Outstanding and Debt Limitations

Last Ten Fiscal Years

(Amounts in Thousands)

	2012	2011	2010	2009	For the Fiscal 2008
General bonded debt					
General obligation bonds	\$ 28,141,980	\$ 28,256,367	\$ 25,136,941	\$ 19,669,908	\$ 20,253,876
Special obligation bonds	2,934,527	2,394,597	2,591,591	2,204,110	2,365,323
	<u>\$ 31,076,507</u>	<u>\$ 30,650,964</u>	<u>27,728,532</u>	<u>21,874,018</u>	<u>22,619,199</u>
Less: Amounts restricted for debt service	1,478,072	1,366,885	1,071,220	848,302	861,152
Net total general bonded debt	<u><u>\$ 29,598,435</u></u>	<u><u>\$ 29,284,079</u></u>	<u><u>\$ 26,657,312</u></u>	<u><u>\$ 21,025,716</u></u>	<u><u>\$ 21,758,047</u></u>
Total general bonded debt as a percentage of personal income	<u>5.26%</u>	<u>5.43%</u>	<u>5.10%</u>	<u>3.79%</u>	<u>4.09%</u>
Total general bonded debt as a percentage of taxable sales	<u>16.64%</u>	<u>17.21%</u>	<u>17.02%</u>	<u>12.87%</u>	<u>11.86%</u>
Total amount of general obligation debt per capita	<u>\$ 2.300</u>	<u>\$ 2.280</u>	<u>\$ 2.083</u>	<u>\$ 1.649</u>	<u>\$ 1.714</u>
Authorized general bonded debt					
General obligation bonds	\$ 54,014,151	\$ 54,014,151	\$ 45,755,802	\$ 39,231,174	\$ 34,196,174
Special obligation bonds	5,903,509	4,815,509	4,815,509	4,005,509	4,005,509
Total authorized general bonded debt	<u><u>\$ 59,917,660</u></u>	<u><u>\$ 58,829,660</u></u>	<u><u>\$ 50,571,311</u></u>	<u><u>\$ 43,236,683</u></u>	<u><u>\$ 38,201,683</u></u>
Issued general bonded debt					
General obligation bonds	\$ 49,883,046	\$ 46,710,306	\$ 41,810,306	\$ 34,140,911	\$ 33,990,911
Special obligation bonds	4,810,193	4,085,153	4,085,153	3,555,233	3,437,968
Total issued general bonded debt	<u><u>\$ 54,693,239</u></u>	<u><u>\$ 50,795,459</u></u>	<u><u>\$ 45,895,459</u></u>	<u><u>\$ 37,696,144</u></u>	<u><u>\$ 37,428,879</u></u>
General bonded debt margin (Authorized but unissued debt)					
General obligation bonds	\$ 7,852,278	\$ 10,481,559	\$ 6,900,602	\$ 7,809,162	\$ 2,765,379
Special obligation bonds	1,221,821	852,891	852,891	570,096	567,541
Total general bonded debt margin	<u><u>\$ 9,074,099</u></u>	<u><u>\$ 11,334,450</u></u>	<u><u>\$ 7,753,493</u></u>	<u><u>\$ 8,379,258</u></u>	<u><u>\$ 3,332,920</u></u>
Issued bonded debt to authorized bonded debt ratio					
General obligation bonds	92.35%	86.48%	91.38%	87.02%	99.40%
Special obligation bonds	81.48%	84.83%	84.83%	88.76%	85.83%
Total issued bonded debt to authorized bonded debt ratio	<u>91.28%</u>	<u>86.34%</u>	<u>90.75%</u>	<u>87.19%</u>	<u>97.98%</u>

Note: Details regarding the State's general obligation bonds can be found in Note 9 of the financial statements.

Details regarding the State's special obligation bonds can be found in Note 10 of the financial statements.

The State's authorized bonded debt limits are established by the General Obligation Bond Act (30 ILCS 330), the Metropolitan Civic Center Support Act (30 ILCS 355), and the Build Illinois Bond Act (30 ILCS 425).

Schedule 10

Year Ended June 30,

2007	2006	2005	2004	2003
\$ 20,865,798	\$ 21,257,664	\$ 20,909,291	\$ 20,554,896	\$ 19,779,249
2,467,733	2,614,724	2,515,469	2,409,159	2,130,229
23,333,531	23,872,388	23,424,760	22,964,055	21,909,478
846,063	833,273	848,213	799,825	745,023
\$ 22,487,468	\$ 23,039,115	\$ 22,576,547	\$ 22,164,230	\$ 21,164,455
4.46%	4.88%	4.96%	5.08%	5.00%
12.93%	13.45%	13.40%	14.47%	13.76%
\$ 1.779	\$ 1.827	\$ 1.793	\$ 1.765	\$ 1.690
\$ 34,196,174	\$ 34,196,174	\$ 34,196,174	\$ 34,196,174	\$ 34,927,174
4,005,509	4,005,509	4,005,509	4,005,509	4,005,509
\$ 38,201,683	\$ 38,201,683	\$ 38,201,683	\$ 38,201,683	\$ 38,932,683
\$ 33,865,911	\$ 33,278,911	\$ 32,078,961	\$ 31,203,961	\$ 29,411,786
3,387,968	3,387,968	3,172,968	2,972,968	2,622,968
\$ 37,253,879	\$ 36,666,879	\$ 35,251,929	\$ 34,176,929	\$ 32,034,754
\$ 2,732,465	\$ 3,110,369	\$ 4,167,371	\$ 4,915,346	\$ 7,204,988
617,541	617,541	832,541	1,032,541	1,382,541
\$ 3,350,006	\$ 3,727,910	\$ 4,999,912	\$ 5,947,887	\$ 8,587,529
99.03%	97.32%	93.81%	91.25%	84.21%
84.58%	84.58%	79.22%	74.22%	65.48%
97.52%	95.98%	92.28%	89.46%	82.28%

Pledged Revenue Coverage
Last Ten Fiscal Years
(Amounts in Thousands)

FINANCIAL STATEMENTS OF THE GOVERNMENT													
Fiscal Year	Gross Revenues		Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage					
					Principal	Interest	Total						
PRIMARY GOVERNMENT													
Build Illinois Bond Fund - Pledged revenue of portion of sales tax collections													
2012	\$	530,664	\$	-	\$	530,664	\$	180,589	\$	118,942	\$	299,531	1.77
2011		509,368		-		509,368		180,565		118,598		299,163	1.70
2010		473,452		-		473,452		157,180		117,552		274,732	1.72
2009		500,012		-		500,012		152,065		113,199		265,264	1.88
2008		560,514		-		560,514		145,505		120,417		265,922	2.11
2007		545,699		-		545,699		138,515		125,698		264,213	2.07
2006		523,584		-		523,584		116,840		121,566		238,406	2.20
2005		486,767		-		486,767		102,200		118,537		220,737	2.21
2004		451,124		-		451,124		96,029		108,658		204,687	2.20
2003		456,824		-		456,824		94,725		101,215		195,940	2.33
Civic Center Bond Fund - Pledged revenue of portion of sales tax collections													
2012	\$	19,000	\$	-	\$	19,000	\$	9,555	\$	4,242	\$	13,797	1.38
2011		19,000		-		19,000		9,085		4,761		13,846	1.37
2010		19,000		-		19,000		8,595		5,253		13,848	1.37
2009		19,000		-		19,000		8,100		5,750		13,850	1.37
2008		19,000		-		19,000		7,610		6,236		13,846	1.37
2007		19,000		-		19,000		7,175		6,677		13,852	1.37
2006		19,000		-		19,000		6,790		7,058		13,848	1.37
2005		19,000		-		19,000		6,455		7,383		13,838	1.37
2004		19,000		-		19,000		6,160		7,682		13,842	1.37
2003		19,000		-		19,000		5,875		7,972		13,847	1.37
Illinois Student Assistance Commission - Pledged revenue of loans receivable repayments													
2012	\$	36,110	\$	26,091	\$	10,019	\$	109,497	\$	8,530	\$	118,027	0.08
2011		45,434		35,211		10,223		982,105		11,416		993,521	0.01
2010		55,073		32,859		22,214		96,100		10,516		106,616	0.21
2009		50,809		28,085		22,724		-		17,988		17,988	1.26
2008		74,913		30,472		44,441		150 (a)		57,142		57,292	0.78
2007		192,214		90,691		101,523		40,135 (b)		154,887		195,022	0.52
2006		163,023		91,585		71,438		130,475		132,548		263,023	0.27
2005		107,734		76,197		31,537		97,340		60,100		157,440	0.20
2004		89,077		65,449		23,628		80,375 (c)		31,478		111,853	0.21
2003		91,748		55,401		36,347		137,345		40,900		178,245	0.20
Railsplitter Tobacco Settlement Authority - Pledged revenue of tobacco settlement funds (d)													
2012	\$	275,468	\$	133,160	\$	142,308	\$	59,375	\$	79,599	\$	138,974	1.02
2011		402,666		248,429		154,237		-		38,252		38,252	4.03

(a) The Commission redeemed \$2.608 billion of principal by the sale of a portion of their student loan portfolio during fiscal year 2008.

(b) The Commission redeemed \$690.2 billion of principal by the sale of a portion of their student loan portfolio during fiscal year 2007.

(c) The Commission redeemed \$50.5 million of principal with bond issuance proceeds in October 2003.

(d) The Railsplitter Tobacco Settlement Authority, a blended component unit of the State, issued \$1.510 billion of Tobacco Settlement Revenue Bonds in December 2010.

Pledged Revenue Coverage

Last Ten Fiscal Years

(Amounts in Thousands)

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage	
				Principal	Interest	Total		
MAJOR COMPONENT UNITS								
Illinois Housing Development Authority - Pledged revenue of loans receivable repayments								
2012	\$ 81,132	\$ 11,933	\$ 69,199	\$ 267,187	\$ 57,897	\$ 325,084	0.21	
2011	74,874	6,483	68,391	243,050	58,716	301,766	0.23	
2010	83,711	5,861	77,850	231,650	66,863	298,513	0.26	
2009	88,542	6,604	81,938	116,119	75,836	191,955	0.43	
2008	106,031	6,653	99,378	348,355	80,330	428,685	0.23	
2007	103,846	6,619	97,227	355,485	77,406	432,891	0.22	
2006	91,301	7,478	83,823	251,415	70,237	321,652	0.26	
2005	91,505	6,892	84,613	452,138	79,271	531,409	0.16	
2004	98,672	6,252	92,420	616,241	99,276	715,517	0.13	
2003	125,738	8,134	117,604	392,805	111,058	503,863	0.23	
Illinois State Toll Highway Authority - Pledged revenue of toll fees (e)								
2011	\$ 728,578	\$ 266,506	\$ 462,072	\$ 49,910	\$ 211,493	\$ 261,403	1.77	
2010	706,445	277,282	429,163	1,065	204,881	205,946	2.08	
2009	785,593	283,106	502,487	97,150	174,821	271,971	1.85	
2008	836,557	406,169	430,388	50,030	145,679	195,709	2.20	
2007	675,190	252,529	422,661	47,350	121,071	168,421	2.51	
2006	660,874	219,292	441,582	45,035	72,012	117,047	3.77	
2005	642,620	215,796	426,824	13,455	34,924	48,379	8.82	
2004	427,390	200,525	226,865	41,235	36,319	77,554	2.93	
2003	441,655	195,702	245,953	69,255	38,316	107,571	2.29	
2002	384,861	165,469	219,392	37,575	41,195	78,770	2.79	
Illinois State University - Pledged revenue of usage fees and rental income								
2012	\$ 87,124	\$ 71,213	\$ 15,911	\$ 6,190	\$ 3,758	\$ 9,948	1.60	
2011	83,258	67,583	15,675	6,280	3,839	10,119	1.55	
2010	82,243	69,838	12,405	5,380	3,894	9,274	1.34	
2009	78,019	58,859	19,160	5,330	4,058	9,388	2.04	
2008	75,181	57,809	17,372	5,265	2,647	7,912	2.20	
2007	67,176	51,077	16,099	5,185	2,757	7,942	2.03	
2006	61,864	49,947	11,917	5,095	1,175	6,270	1.90	
2005	57,753	46,088	11,665	4,770	1,219	5,989	1.95	
2004	58,448	45,921	12,527	4,790	1,302	6,092	2.06	
2003	56,249	44,860	11,389	4,595	1,111	5,706	2.00	
Northern Illinois University - Pledged revenue of usage fees and rental income (f)								
2012	\$ 86,240	\$ 71,704	\$ 14,536	\$ 6,930	\$ 14,296	\$ 21,226	0.68	
2011	78,426	67,201	11,225	6,300	3,857	10,157	1.11	
2010	77,446	58,863	18,583	6,175	3,977	10,152	1.83	
2009	77,095	66,095	11,000	6,060	4,090	10,150	1.08	
2008	76,692	66,080	10,612	5,945	4,204	10,149	1.05	
2007	76,742	69,751	6,991	5,840	4,311	10,151	0.69	
2006	72,426	53,745	18,681	5,740	4,406	10,146	1.84	
2005	67,645	51,008	16,637	5,595	4,549	10,144	1.64	
2004	66,653	51,240	15,413	5,295	4,846	10,141	1.52	
2003	64,132	49,394	14,738	5,015	5,128	10,143	1.45	

(e) The Illinois State Toll Highway Authority fiscal year is from January 1 to December 31.

(f) Northern Illinois University issued \$126 million of Auxiliary Facilities Revenue Bonds in December of 2010 and \$67 million of Auxiliary Facilities Revenue Bonds in January of 2011.

Pledged Revenue Coverage

Last Ten Fiscal Years

(Amounts in Thousands)

FINANCIAL STATEMENTS								
Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage	
				Principal	Interest	Total		
Southern Illinois University - Pledged revenue of usage fees, rental income, and medical fees								
2012	\$ 153,006	\$ 118,090	\$ 34,916	\$ 19,790	\$ 10,536	\$ 30,326	1.15	
2011	146,101	110,760	35,341	16,120	10,661	26,781	1.32	
2010	141,220	105,452	35,768	13,190	10,693	23,883	1.50	
2009	137,463	106,839	30,624	12,815	8,437	21,252	1.44	
2008	125,666	101,535	24,131	12,365	7,592	19,957	1.21	
2007	116,481	92,345	24,136	10,920	7,430	18,350	1.32	
2006	104,713	86,382	18,331	8,735	5,392	14,127	1.30	
2005	97,859	79,784	18,075	8,260	4,478	12,738	1.42	
2004	90,316	73,753	16,563	7,465	4,098	11,563	1.43	
2003	81,515	65,836	15,679	7,465	4,098	11,563	1.36	
University of Illinois - Pledged revenue of usage fees, rental income, and medical fees								
2012	\$ 1,115,945	\$ 1,023,263	\$ 92,682	\$ 38,895	\$ 47,070	\$ 85,965	1.08	
2011	1,013,468	937,189	76,279	35,425	45,781	81,206	0.94	
2010	1,021,060	894,862	126,198	34,200	44,880	79,080	1.60	
2009	896,275	797,980	98,295	32,265	43,325	75,590	1.30	
2008	883,813	784,154	99,659	30,330	44,631	74,961	1.33	
2007	841,998	737,499	104,499	29,710	41,118	70,828	1.48	
2006	793,906	712,608	81,298	24,080	34,643	58,723	1.38	
2005	752,592	674,645	77,947	25,425	29,208	54,633	1.43	
2004	810,251	609,442	200,809	22,560	29,179	51,739	3.88	
2003	660,059	578,082	81,977	15,755	26,844	42,599	1.92	

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State of Illinois**Demographic and Economic Statistics****Last Ten Calendar Years (expressed in thousands)**

	For the			
	2011	2010	2009	2008
Population				
State	12,869	12,842	12,797	12,747
Percentage change	0.21%	0.35%	0.39%	0.40%
National	311,592	309,330	306,772	304,094
Percentage change	0.73%	0.83%	0.88%	0.95%
Total Personal Income				
State	\$ 562,662,480	\$ 539,680,018	\$ 522,945,597	\$ 554,521,494
Percentage change	4.26%	3.20%	-5.69%	4.12%
National	\$ 12,949,905,000	\$ 12,308,496,000	\$ 11,852,715,000	\$ 12,451,660,000
Percentage change	5.21%	3.85%	-4.81%	4.63%
Per Capita Personal Income				
State	\$ 43.721	\$ 42.025	\$ 40.865	\$ 43.502
Percentage change	4.04%	2.84%	-6.06%	3.70%
National	\$ 41.560	\$ 39.791	\$ 38.637	\$ 40.947
Percentage change	4.45%	2.99%	-5.64%	3.65%
Labor Force				
State labor force	6,566	6,603	6,589	6,667
Employed	5,925	5,911	5,927	6,243
Unemployed	640	692	661	425
Unemployment rate	9.7%	10.5%	10.0%	6.4%

Source: U.S. Bureau of Economic Analysis and Department of Employment Security

Calendar Year Ended,

2007	2006	2005	2004	2003	2002
12,696	12,644	12,610	12,590	12,556	12,526
0.41%	0.27%	0.16%	0.27%	0.24%	0.30%
301,231	298,380	295,517	292,805	290,108	287,625
0.96%	0.97%	0.93%	0.93%	0.86%	0.93%
\$ 532,587,009	\$ 504,493,021	\$ 472,072,676	\$ 455,290,572	\$ 435,900,840	\$ 423,278,085
5.57%	6.87%	3.69%	4.45%	2.98%	1.99%
\$ 11,900,562,000	\$ 11,256,516,000	\$ 10,476,669,000	\$ 9,928,790,000	\$ 9,369,072,000	\$ 9,054,702,000
5.72%	7.44%	5.52%	5.97%	3.47%	1.98%
\$ 41.950	\$ 39.900	\$ 37.437	\$ 36.164	\$ 34.717	\$ 33.793
5.14%	6.58%	3.52%	4.17%	2.73%	1.69%
\$ 39.506	\$ 37.725	\$ 35.452	\$ 33.909	\$ 32.295	\$ 31.481
4.72%	6.41%	4.55%	5.00%	2.59%	1.04%
6,660	6,527	6,404	6,366	6,343	6,387
6,322	6,225	6,033	5,969	5,917	5,969
338	302	371	397	426	418
5.1%	4.6%	5.8%	6.2%	6.7%	6.5%

Principal Employers

Fiscal Years 2012 and 2003

Employer	2012	
	Employees	Percentage of Total State Employment
State of Illinois	64,328	1.09%
Jewel Food Stores	55,161	0.93%
U.S. Government	52,800	0.89%
Wal-Mart	50,008	0.84%
Chicago School Board	39,667	0.67%
City of Chicago	36,448	0.62%
U.S. Postal Service	29,500	0.50%
University of Illinois	28,532	0.48%
Sears	26,433	0.45%
AON PLC	24,877	0.42%
Total	407,754	6.89%

Employer	2003	
	Employees	Percentage of Total State Employment
State of Illinois	75,246	1.26%
U.S. Government	50,500	0.85%
Chicago School Board	43,299	0.73%
U.S. Postal Service	41,500	0.70%
City of Chicago	38,900	0.65%
Walmart	31,460	0.53%
Caterpillar Inc.	30,060	0.50%
Sears	30,030	0.50%
Jewel Food Stores	27,350	0.46%
Motorola	25,480	0.43%
Total	393,825	6.61%

Source: Department of Commerce and Economic Opportunity and various employer websites

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State of Illinois**Employees by Function****Last Ten Fiscal Years**

	Employees				
	2012	2011	2010	2009	2008
Health and social services	19,976	21,519	21,258	21,912	22,701
Education	713	727	778	767	758
General government	11,286	11,905	11,534	12,205	12,366
Employment and economic development	2,990	3,119	3,303	3,287	3,074
Transportation	7,386	7,529	7,662	7,574	7,638
Public protection and justice	18,013	19,134	18,903	18,886	18,913
Environment and business regulation	3,964	4,213	4,304	4,398	4,694
Total	64,328	68,146	67,742	69,029	70,144

Schedule 14

as of June 30,				
2007	2006	2005	2004	2003
22,784	23,230	22,767	24,262	24,134
750	763	766	767	806
12,515	12,421	12,256	11,934	11,804
3,213	3,366	3,394	3,576	3,412
8,407	8,098	8,261	8,760	9,336
19,793	20,181	20,414	20,819	20,320
4,850	4,844	4,788	5,294	5,434
72,312	72,903	72,646	75,412	75,246

State of Illinois

**Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/Program	For the Fiscal Year			
	2012	2011	2010	2009
Health and Social Services				
Child abuse and neglect				
Calls to abuse/neglect hotline	253,444	258,999	256,492	258,237
Children investigated	106,220	101,508	109,186	111,574
Medical programs				
Number of children enrolled in medical programs	1,685,822	1,663,260	1,628,782	1,553,227
Number of parents enrolled in medical programs	635,262	621,851	606,680	562,689
Child support				
Number of child support cases with orders	404,752	410,433	404,800	394,123
Persons with disabilities receiving in-home services to prevent institutionalization	32,820	38,682	39,165	39,412
Immunization rates of children under age two	77%	83%	81%	78%
General government				
Taxes				
Number of individual income tax returns processed	5,961,003	5,961,385	5,946,127	6,132,529
Percent of individual income tax returns filed electronically	78%	71%	60%	56%
Total number of payments processed through State Treasury	15,337,111	16,143,902	16,050,005	15,912,093
Education				
Elementary and secondary education				
Public school enrollment	2,087,628	2,087,762	2,112,132	2,112,132
Graduation rate	82.3%	83.8%	87.8%	87.1%
Dropout rate	2.5%	2.7%	3.8%	3.5%
Higher education				
Enrollment	881,077	924,749	914,763	867,090
Degrees conferred	Not available	205,757	195,549	184,272
Transportation				
Miles of pavement maintained/improved	921	931	2,620	2,528
Number of bridges maintained/improved	262	263	292	293
Employment and economic development				
Unemployment insurance *				
Number of claims	763,319	863,328	1,221,195	872,368
Average duration (weeks)	19.01	21.34	20.63	16.71
State Fair				
State Fair attendees	918,534	817,393	673,223	737,052
DuQuoin State Fair attendees	285,100	351,000	353,100	331,000
Tourism				
Historic site attendance (in thousands)	1,990	1,940	2,200	2,010
Public protection and justice				
Crime Rates				
Violent crime rates per 100,000 in population *	Not available	435	509	540
Property crime rates per 100,000 in population *	Not available	2,681	2,790	3,010
Total crime rates per 100,000 in population		3,116	3,299	3,550
Forensic services				
Number of original crime scenes processed	2,775	2,529	2,594	3,081
Number of Deoxyribonucleic Acid (DNA) cases worked	4,982	5,225	5,284	4,590
Total number of forensic cases worked	101,076	104,043	111,669	115,044
Number of DNA offender samples worked	29,589	30,736	33,025	35,722
Environment and business regulation				
Professional Regulation				
Professional complaints received	12,466	10,634	11,159	13,800
Licenses placed on probation	470	431	603	530

* Statistics for unemployment insurance and crime rates are based on the previous ending calendar year.

Schedule 15

Ended or as of June 30,					
2008	2007	2006	2005	2004	2003
266,011	258,563	257,481	249,764	277,295	293,292
111,869	111,746	110,225	111,830	104,236	97,413
1,457,829	1,369,050	1,216,983	1,159,593	1,094,077	1,022,058
580,760	545,502	498,195	463,506	388,636	Not available
390,745	420,004	398,888	335,568	328,211	331,003
38,093	36,858	35,916	32,549	34,156	31,970
78%	83%	87%	86%	85%	80%
6,119,040	5,963,636	5,712,563	5,798,585	5,757,659	5,782,567
52%	46%	44%	42%	38%	33%
15,623,763	15,512,005	15,092,629	14,896,011	15,157,741	15,979,883
2,113,435	2,118,692	2,111,706	2,062,912	2,060,008	2,084,490
86.5%	85.9%	87.8%	87.4%	86.5%	86.0%
4.1%	3.5%	3.5%	4.0%	4.6%	6.0%
821,026	814,189	805,764	801,548	799,216	781,190
181,370	167,066	163,153	160,806	155,216	149,865
933	908	820	919	1,155	1,561
272	274	255	206	219	319
696,109	670,402	702,725	766,032	855,658	875,777
17.31	17.34	18.23	18.92	19.01	19.01
613,000	703,000	672,615	671,334	725,000	1,264,750
298,000	330,000	298,286	315,731	270,346	500,854
2,206	2,221	2,498	2,772	2,680	2,665
548	562	569	562	573	625
3,014	3,127	3,171	3,282	3,382	3,519
3,562	3,689	3,740	3,844	3,955	4,144
3,138	3,457	4,816	4,519	4,198	4,289
3,390	2,830	3,464	3,397	2,812	2,253
112,644	119,045	116,192	116,882	110,863	107,947
37,937	46,647	106,374	65,009	24,244	3,508
10,912	9,498	9,024	9,195	9,781	11,085
455	344	419	488	590	603

State of Illinois**Capital Asset and Infrastructure Statistics by Function/Program****Last Ten Fiscal Years**

	For the Fiscal Year				
	2012	2011	2010	2009	2008
Health and social services					
Mental health facilities	17	17	18	18	18
Veterans homes	4	4	4	4	4
Transportation					
Highway miles	16,000	16,018	16,057	16,075	16,090
Bridges	7,734	7,726	7,708	7,693	7,844
Public protection and justice					
Adult correctional facilities	27	27	27	28	28
Juvenile correctional facilities	8	8	10	8	8
Environment and business regulation					
State park acreage	473,761	473,500	470,649	469,244	373,857
Protected natural area acreage	99,866	96,255	93,662	89,399	89,764

Note: No capital asset indicators are available for the education, general government, and employment and economic development functions.

Schedule 16

Ended or as of June 30,

2007	2006	2005	2004	2003
18 4	18 4	18 4	18 4	18 4
16,398 8,284	16,430 8,296	16,459 8,232	16,513 8,222	16,538 8,227
28 8	27 8	27 8	27 8	26 8
371,793 89,731	499,515 87,731	387,753 85,375	456,039 82,957	450,814 76,179